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5/13/11 Providence J.-Bull. (R.I.) A
2011 WLNR 9585391
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May 13, 2011

Section: Local News

38 Studios has received bulk of state loan ; Business

Kate Bramson; Kate Bramson, Journal Staff Writer

Gaming company has relocated to Providence and has met jobs milestone

Curt Schilling's video-game company, 38 Studios, which began moving into downtown Providence in mid-April, has already received \$41.7 million of the money promised the company through the state's controversial loan guarantee.

That's nearly 80 percent of the money the company is set to receive in installments as it meets certain milestones. To get its two most recent payments -- both paid on April 18 and equaling \$21.4 million -- the company was required to have at least 125 full-time jobs in Rhode Island that pay an average annual wage not less than \$67,500.

After the state's General Assembly approved a new program last year intended to stimulate job growth in an ailing economy, the EDC sold \$75 million in bonds backed by Rhode Island taxpayers to guarantee loans to 38 Studios.

The state's Economic Development Corporation, which brokered the deal, appears to be relying on the company to certify it has met the targets to get its money.

In a "certificate" to the EDC that was signed April 14, two 38 Studios officials say the company now "maintains" 158 employees at its Providence location "constituting full-time jobs" with an average annual wage of not less than \$67,500.

EDC spokeswoman Judy Chong said the EDC received from 38 Studios a detailed payroll summary that shows titles and wages for 164 employees. She also said the agency's deputy director, J. Michael Saul, toured the com-

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pany's new office space, at One Empire Plaza.

At the request of The Journal, David M. Gilden, the EDC's corporate counsel, on Thursday released portions of that payroll summary from the company that lists 164 job titles -- including 52 artists, 29 designers, 24 engineers and other categories. Gilden also released the company's calculation that says 158 of the total 164 jobs created in the state are full-time positions that meet the EDC salary requirement that they pay at least 105 percent of the Rhode Island median wage.

That median wage is \$36,691, according to the EDC. The salary summary from 38 Studios says the company's Rhode Island jobs that meet the requirement pay an average wage of \$86,382.

Gilden did not release the individual salaries of any employee or a salary for any of the job titles, saying such detail is not public under state law.

The Journal has been unable to confirm independently how many employees are working in Providence.

EDC Executive Director Keith W. Stokes and Saul have been unavailable for interviews about 38 Studios.

Schilling's company, which is defined in the bond documents as a development-stage video-game and entertainment company with no revenues, says in the certificate provided to the EDC that it has ceased operations at its prior location in Maynard, Mass.

Schilling, company CEO Jennifer MacLean and the officials who signed the certificate to the EDC have declined requests for interviews. A 38 Studios spokesman, Larry Solters of Scoop Marketing in Studio City, Calif., said the company has no comment about the information provided to the EDC.

The company is reliant on the proceeds of the state-backed bonds to move its corporate headquarters to Rhode Island and develop its video-game business in Providence. It's also using the money to develop its first multi-player online game, known in the industry as an MMO and code-named Copernicus.

The gaming company is expected to pay back the principal and interest on the bonds with money it makes.

If the company's payments fall short, Rhode Island taxpayers would have to make them for Schilling. The EDC, through the governor, must ask the General Assembly for money to cover such missed payments.

38 Studios is expected to receive \$52.5 million, Chong says. About \$20 million of the bond proceeds has been placed in reserve to ensure that debt payments in the first three years are made. Additional proceeds covered the cost of issuing the bonds, buying municipal bond insurance and other costs.

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Bond documents outline milestones the company must reach to receive the money and say when interest payments are due. But details of how and whether 38 Studios met its milestones and whether the first interest payment has been made are unclear.

On Dec. 10, the company received \$9.4 million, which the bond document says would be paid "upon the public announcement by the Company of a relocation date to the state."

Chong has not said whether the first interest payment on the bonds was paid, as the agreement requires, on May 1.

Chong says \$10.8 million remains of what the company will eventually receive.

TIMELINE

38 Studios

Curt Schilling's video-game company will receive \$52.5 million from bond proceeds, to be paid in six installments as the company meets milestones outlined in bond documents. The documents say when the company is expected to meet most milestones.

Nov. 2, 2010: \$10,939,759 payment made to 38 Studios. Bond documents said that amount was due upon delivery and date of issuance of the bonds.

Dec. 10: \$9.4-million payment made to 38 Studios. Bond documents said such amount was due "upon the public announcement by the Company of a relocation date to the state." EDC did not reply to request for when such public announcement was made.

January 2011: A 38 Studios spokesman told The Journal the company will move on May 1 from Maynard, Mass., to One Empire Plaza in downtown Providence.

April 8: 38 Studios began moving into Providence location. The EDC said in a statement that the company said 160 employees would be able to start work in the capital city on April 12.

April 18: \$17.2-million payment made to 38 Studios. Bond documents said that amount was due when the company relocates its headquarters and Project Copernicus studio to the state and creates at least 80 full-time jobs with average annual wage of not less than \$67,500.

April 18: \$4.2-million payment made to 38 Studios, bringing the total so far to \$41,739,759. Bond documents said this installment was due upon creation of 45 more full-time jobs in the state, with average annual wage not

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less than \$67,500.

Future: Company is due \$4.1 million when it enters into "satisfactory distribution agreement" for Project Copernicus; bond documents estimate this milestone will be reached by Nov. 30, 2011.

Future: Company is due the balance of project fund, about \$6.7 million according to the EDC, when it creates 125 more full-time jobs in the state with average annual wage not less than \$67,500, by Jan. 31, 2012.
kbramson@projo.com / 277-7470

---- INDEX REFERENCES ----

COMPANY: ENERGY DEVELOPMENT CORP; EDC LTD; ECONOMIC DEVELOPMENT CORP; CA LA ELECTRICIDAD DE CARACAS SACA; EDC; JOURNAL; ROY MORGAN RESEARCH PTY LTD; EXPORT DEVELOPMENT CANADA; TIMELINE INC

NEWS SUBJECT: (Economics & Trade (1EC26); Corporate Events (1CR05); Economic Development Agencies (1EC15); Corporate Funding (1XO17); Business Management (1BU42); Economic Development (1EC65))

INDUSTRY: (Gaming Industry (1GA25); Entertainment (1EN08))

REGION: (North America (1NO39); USA (1US73); Americas (1AM92); U.S. New England Region (1NE37); Rhode Island (1RH18))

Language: EN

OTHER INDEXING: (ECONOMIC DEVELOPMENT CORP; EDC; EMPIRE PLAZA; JOURNAL; MMO; PROJECT COPERNICUS; SCOOP MARKETING; STUDIOS; TIMELINE) (Additional; Assembly; Chong; Curt Schilling; David M. Gilden; Dec; Gilden; J.; Jennifer MacLean; Judy Chong; Keith W. Stokes; Larry Solters; Michael Saul; Nov; Saul; Schilling)

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January 22, 2011

Section: Local News

Verrecchia resigns from EDC post ; development

Kate Bramson; Kate Bramson, Journal Staff Writer

Departure of Hasbro chairman opens the door for Governor Chafee to replace one-third of the 13-member agency charged with creating, retaining jobs

Hasbro chairman Alfred J. Verrecchia, the man who wrote the scathing 2009 report blasting Rhode Island's economic-development efforts and the state agency charged with creating and retaining jobs, has resigned from that agency's board, saying the decision allows Governor Chafee more latitude in selecting his own team.

Verrecchia's resignation as vice chairman of the Economic Development Corporation gives Chafee the ability to replace one-third of the 13-member board because three other slots expire Feb. 1.

Verrecchia said he had mailed the new governor a letter the day of his inauguration, offering to resign. Chafee later called Verrecchia, and the two spoke for about five minutes, Verrecchia said.

"I was more than willing to continue to serve my term, but given that the [EDC] executive director is a member of the governor's cabinet, the governor is chairman of the board and the governor appoints all the board members, I felt the governor should have the opportunity to pick his own team," he said.

In that conversation, Verrecchia said the governor commented on the number of chief executive officers on the board and was "interested in how they found the time to do that."

Verrecchia, who at 67 is chairman of the world's second-largest toymaker and former CEO of the Pawtucket-based company, shared his ideas with the governor "and said I look forward to working with him, and he sort of said the same."

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But when the governor's chief of staff, Patrick A. Rogers, later called Verrecchia, the Hasbro chairman said he wasn't surprised when "Pat indicated the governor was accepting my offer to resign."

After the Verrecchia report in 2009 called the state's economic- development policy "fragmented, disjointed and without focus," former Gov. Donald L. Carcieri replaced the entire EDC board a year ago, tapping Verrecchia as vice chairman. The governor appoints all board members.

The new board terms were staggered so three slots would come up for appointment this February and each of the next three years. New members will serve four-year terms.

Those whose terms expire this year are: Shivan Subramaniam, chairman and CEO of FM Global in Johnston; Paul Choquette Jr., vice chairman of Gilbane Inc. in Providence; and Donna Cupelo, president and CEO of Verizon in Providence.

During his campaign, independent candidate Chafee had sharply criticized the agency's controversial deal to grant a \$75-million loan guarantee to former Red Sox pitcher Curt Schilling's 38 Studios video-game company. He even threatened to sue the EDC board if the deal ends up going sour.

Last week, when Chafee decided to retain Keith W. Stokes as EDC executive director, his spokesman, Michael Trainor, said "continuity" was important, given that Stokes shares the governor's vision for strategy and policies.

Distancing Stokes from the Schilling deal, Chafee said last week it was clearly Carcieri's initiative. Trainor added that the campaign criticism was "more appropriately assigned at the board level, not the executive-director level."

Verrecchia was vice chairman when the EDC board approved the deal.

At the campaign forum in October where Chafee's threat to sue the board drew audible gasps, Verrecchia said, "I guess I'd ask him: Is he going to sue us after he asks me to resign, or before he asks me to resign?"

On Friday, Trainor said Chafee and Verrecchia did not speak about the 38 Studios deal: "There was not a scintilla of that in the conversation they had."

Trainor said the governor "has the utmost respect for Al Verrecchia" and hopes he'll be able to serve on a significant board or commission "at some point during the Chafee administration."

Verrecchia said he's particularly interested in helping determine how the state and its cities and towns could work on municipal and school consolidation. For now, the governor is "actively considering a list of names" for the EDC board, Trainor said, but he couldn't say how many people are under consideration, nor would he say

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what kind of members the governor wants. kbramson@projo.com / 277-7470

---- INDEX REFERENCES ----

COMPANY: HASBRO ITALY SRL; HASBRO INC; VERIZON COMMUNICATIONS INC; GILBANE BUILDING CO; EDUCATIONAL DEVELOPMENT CORP; CA LA ELECTRICIDAD DE CARACAS SACA; EDC; HASBRO IBERIA SL; EXPORT DEVELOPMENT CANADA

NEWS SUBJECT: (Executive Personnel Changes (1EX23); Economics & Trade (1EC26); Corporate Groups & Ownership (1XO09); Corporate Events (1CR05); Economic Development Agencies (1EC15); Board of Directors (1BO47); HR & Labor Management (1HR87); Government (1GO80); Business Management (1BU42); Economic Development (1EC65))

REGION: (North America (1NO39); USA (1US73); Americas (1AM92); U.S. New England Region (1NE37); Rhode Island (1RH18))

Language: EN

OTHER INDEXING: (ECONOMIC DEVELOPMENT CORP; EDC; EDC BOARD; GILBANE INC; HASBRO; RED SOX; VERIZON) (Alfred J. Verrecchia; Carcieri; Chafee; Curt Schilling; Departure; Distancing Stokes; Donald L. Carcieri; Donna Cupelo; Keith W. Stokes; Michael Trainor; Patrick A. Rogers; Paul Choquette Jr.; Trainor; Verrecchia)

COMPANY TERMS: HASBRO INC

PRODUCT: Games, Toys & Childrens Vehicles; Lead Pencils, Crayons & Artist's Materials; Game, Toy, and Children's Vehicle Manufacturing

SIC: 3944; 3952

NAICS CODE: 339932

TICKER SYMBOL: HAS

EDITION: All

Word Count: 682

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January 22, 2011

Section: Local News

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Departure of Hasbro chairman opens the door for Governor Chafee to replace one-third of the 13-member agency charged with creating, retaining jobs

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REGION: (North America (1NO39); USA (1US73); Americas (1AM92); U.S. New England Region (1NE37); Rhode Island (1RH18))

Language: EN

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November 19, 2010

Section: Local News

Schilling optimistic about Rhode Island move ; Commerce

Andy Smith; Andy Smith, Journal Staff Writer

Former Red Sox pitcher said **38 Studios** will be multibillion- dollar enterprise

PROVIDENCE -- Former Red Sox pitcher Curt **Schilling** promised Thursday that his video-game company, **38 Studios LLC**, was on its way to becoming a multibillion-dollar enterprise in Rhode Island. "That's world-changing money," he said at the Providence Marriott.

Schilling, wearing suit and tie, spoke briefly at an awards dinner sponsored by the Providence Business News. It was the first time he has spoken publicly to a Rhode Island audience about his business since the state approved a \$75-million loan guarantee to lure **38 Studios** from Maynard, Mass., to Providence.

"I don't have a personality that would allow me to retire," said **Schilling**, explaining why he started **38 Studios**.

He said he's been to the World Series as a pitcher four times, three times on the winning team. "At the core of those four teams, it's no different from the core of a great business, because it's all about people," he said.

Now, he said, he employs 230 people in Massachusetts and Maryland. "I revel in the little things it takes to run a company," he said.

But bringing his company to Rhode Island has been accompanied by controversy.

In July, the state's Economic Development Corporation approved a loan guarantee for **38 Studios**, supported by issuing \$75 million in bonds whose principal and interest will be paid for by the company.

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If the company's payments fall short, the EDC, through the governor, will have to ask the General Assembly for money to cover the bond payments. In return, 38 Studios promised to bring 450 jobs to the state.

The deal raised concerns almost immediately, as business leaders and politicians criticized the scope and risk of the agreement, which consumed 60 percent of a \$125-million fund established by the state to assist high-tech companies.

Among the harshest critics has been Governor-elect Lincoln D. Chafee, who suggested suing members of the EDC board if the loan guarantee goes sour.

As **Schilling** spoke at the Marriott, large screens at the sides of the ballroom depicted shots from the company's first game, "Kingdoms of Amalur: Reckoning," showing an armored warrior battling an ugly, obese ogre. **Schilling** said there was no truth to the rumor that the picture was actually him and Chafee on election night. The audience roared with laughter.

Schilling said the lengthy negotiations leading to the closing of the loan guarantee on Nov. 2 were difficult for him.

Partly, he said, that's because he wasn't allowed to talk in public. And he likes to talk.

"If I had been able to respond to some of the things that were being said, I'm sure I would not have been invited to this dinner tonight," he said.

Now **Schilling** said he is "ecstatic" to have 38 Studios in Providence, and said several employees have already bought houses in Rhode Island. (In previous interviews, **Schilling** said he doesn't plan to move from his home in Medfield, Mass.)

Exactly when 38 Studios will begin doing business here is still unknown. On Sept. 23, 38 Studios announced it had picked a Rhode Island location, One Empire Plaza on Empire Street in downtown Providence. They have not yet announced when they plan to move in.

Curt **Schilling**, shown in July, when the state's Economic Development Corporation OK'd a loan guarantee for 38 Studios. The Providence Journal / Bob Thayer asmith@projo.com / 277-7485

---- INDEX REFERENCES ----

COMPANY: EDUCATIONAL DEVELOPMENT CORP; CA LA ELECTRICIDAD DE CARACAS SACA; EDC; COMMERCE BANCSHARES INC; COMMERCE AND INDUSTRY INSURANCE CO; EXPORT DEVELOPMENT CANADA

NEWS SUBJECT: (Economics & Trade (1EC26); Economic Development Agencies (1EC15); Economic Devel-

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opment (1EC65))

INDUSTRY: (Loans (1LO12); Retail Banking Services (1RE38); Financial Services (1FI37); Banking (1BA20))

REGION: (U.S. New England Region (1NE37); Rhode Island (1RH18); North America (1NO39); Americas (1AM92); USA (1US73))

Language: EN

OTHER INDEXING: (COMMERCE; ECONOMIC DEVELOPMENT CORP; EDC; EDC BOARD; EMPIRE PLAZA; PARTLY; PROVIDENCE BUSINESS; RED SOX; STUDIOS; STUDIOS LLC) (Assembly; Chafee; Curt Schilling; Lincoln D. Chafee; Schilling)

COMPANY TERMS: STUDIOS LLC

EDITION: All

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November 4, 2010

Section: Local News

Bonds sold for **Schilling** company ; Business

Paul Grimaldi; Paul Grimaldi, Journal Staff Writer

Former Sox pitcher's

38 Studios receives \$13 million as first installment from state

PROVIDENCE -- The state Economic Development Corporation took a major step on Wednesday toward bringing 38 Studios to Rhode Island by completing a \$75-million bond sale to back the video-game company.

With the closing, the company founded by former Red Sox pitching ace Curt **Schilling** received \$13 million as the first installment of the bond-sale proceeds, according to the EDC.

Keith Stokes, the EDC's executive director, termed the company's move from Maynard, Mass., to Rhode Island a "catalytic economic development," a strategy that creates the sense the state is a place where technology companies can succeed.

38 Studios will receive the money through the \$125-million Rhode Island Loan Guaranty Fund that was approved earlier this year by the General Assembly and signed into law by Governor Carcieri.

The company is primarily responsible for repaying the bonds, but the state has guaranteed repayment if the company does not make the payments. In exchange, 38 Studios committed to moving its headquarters to Providence and creating 450 jobs in the state with an average salary of \$67,500 annually over the next three years.

Should the company fail between now and November 2020, taxpayers would be asked to pay off the principal and interest due on those bonds, as much as \$90 million, according to a rough estimate provided by Robert I. Stolzman, the EDC's lawyer.

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Separately, the EDC set aside \$20 million of the bond-sale proceeds to cover loan principal and debt payments during the first three years if 38 Studios were to default. The EDC has to notify the governor whenever bond payments from 38 Studios fall short. The governor, in turn, has to ask the General Assembly to appropriate the money to cover any shortfall.

Wells Fargo Securities Capital and Barclays underwrote the bonds, which were purchased in a private placement Tuesday by about a dozen investors, including insurers, asset managers and a community bank, the EDC said.

The bonds were sold with three maturities with rates of 6 percent for 2015, 6.75 percent for 2016 and 7.75 percent for 2020. They also were covered by bond insurance, which helped raise the bonds' ratings to AAA by Standard & Poor's and Aaa3 by Moody's.

Rather than signs of a risky investment, the decisions to split the bond sale and to add the insurance are indications of the offering's "broad appeal and demand," Stolzman said.

38 Studios will receive \$38 million more over the next 15 months, as long as it hits benchmarks set by the EDC.

It reached one funding milestone in September when the company leased offices in downtown Providence. It now has up to 90 days to say when it will actually occupy that space.

The EDC's board voted in mid-July to approve the bond sale. The agency originally expected to complete the deal in August, a timetable Stokes yesterday termed "very aggressive."

The board approved the deal despite an auditor's report in July "raising substantial doubt about the company's ability to continue as a going concern."

Stolzman downplayed the report's significance as it did not reflect profits at a 38 Studios' subsidiary, Big Huge Games. Big Huge Games of Timonium, Md., does not disclose revenues.

The announcement of the bond sale comes the day after Rhode Islanders elected independent Lincoln D. Chafee, a vocal opponent of the 38 Studios deal, to succeed Republican Donald Carcieri as the next governor.

"The timing of the closing is coincidental," Stokes said.

In a mid-afternoon press conference, Chafee said: "I don't like risking the taxpayers' money, and this is one of the biggest risks I've seen."

But, the governor-elect said, there seems to be no way he can undo the deal, leaving him with just one task.

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"It is my intent to ensure that the state fulfills any and all of the commitments made by the EDC. I will, however, ensure that 38 Studios fully and completely [complies] with each and every commitment that it has made to the taxpayers of Rhode Island," he said in a written statement.

38 Studios will receive the money through the \$125-million Rhode Island Loan Guaranty Fund that was approved earlier this year by the General Assembly and signed into law by Governor Carcieri.

Robert I. Stolzman, left, counsel to the Economic Development Corporation, and Keith Stokes, EDC director, tell reporters Wednesday about the bond sale for Curt Schilling's 38 Studios. The Providence Journal / Mary Murphy pgrimald@projo.com / 277-7356

---- INDEX REFERENCES ----

COMPANY: AAA; EDUCATIONAL DEVELOPMENT CORP; EDC; EXPORT DEVELOPMENT CANADA; AAA AKTIENGESSELLSCHAFT ALLGEMEINE ANLAGEVERWALTUNG

NEWS SUBJECT: (Investment-Grade Bonds (1IV32); Economics & Trade (1EC26); Funding Instruments (1FU41); Corporate Events (1CR05); Economic Development Agencies (1EC15); Credit Enhancement (1CR52); Business Management (1BU42); Economic Development (1EC65); Business Failures (1BU16))

INDUSTRY: (Investment Management (1IN34); Retail Banking Services (1RE38); Banking (1BA20); Loans (1LO12); Bonds (1BO97); Securities Investment (1SE57); Financial Services (1FI37))

REGION: (North America (1NO39); USA (1US73); Americas (1AM92); U.S. New England Region (1NE37); Rhode Island (1RH18))

Language: EN

OTHER INDEXING: (AAA; BONDS; ECONOMIC DEVELOPMENT CORP; EDC; RED SOX; SOX; WELLS FARGO SECURITIES CAPITAL) (Assembly; Big; Carcieri; Chafee; Curt Schilling; Keith Stokes; Lincoln D. Chafee; Mary Murphy; Republican Donald Carcieri; Robert I. Stolzman; Separately; Standard Poor; Stokes; Stolzman; The)

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October 17, 2010

Section: Business

Picture of a state burdened

Bond ratings can be boring.

The documents prepared by analysts stitch together a complex set of facts, figures and ratios to create a financial portrait of a state that wants to raise money by selling bonds to investors.

While the average Rhode Islander may find the reports mind-numbing, they are important because they are an independent analyst's view of how risky it is to do business in Rhode Island. Investors, entrepreneurs and company owners study them when deciding whether or not to put their money here.

Lately, there have been positive signs that Rhode Island may be emerging from a three-year recession. State tax revenues were up 10 percent in July, August, and September compared with the same three months a year ago. Some jobs are being created. The unemployment rate -- still among the highest in the U.S. -- inched down to 11.8 percent in August from a peak of 12.7 percent in December. Economists report that other indicators, such as retail sales, consumer sentiment and manufacturing wages, are edging up, a signal of the start of a fragile recovery.

But while outside analysts at bond-rating firms such as Moody's Investors Services and Standard & Poor's recognize the end of the recession, they have a more sobering view of Rhode Island's past, present and future.

They are concerned about Rhode Island's projected state budget deficits, sizable unfunded pension liability, heavy debt load and history of one-time budget fixes. Their analyses means the next governor and General Assembly will have their work cut out to convince investors that Rhode Island is putting its financial house in order.

Without a solid economy and state budget, the job creators will worry about future personal and corporate tax hikes or other changes to the cost of doing business here. The uncertainty will drive them away.

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The latest bond ratings were written during the review of the state's plan to sell \$75 million in bonds to attract former Red Sox pitcher Curt **Schilling's** video game company, 38 Studios, from Massachusetts to downtown Providence. (Read the accompanying story for more details on the **Schilling** bonds.)

On the positive side of the ledger, the analysts' reports said media income levels in Rhode Island remain above the national average and the state has a good geographic location for job development because of its position near the economies of eastern Massachusetts and eastern Connecticut.

But those factors are offset by many weaknesses.

For example, projected state budget gaps run above 10 percent through fiscal 2015. For the fiscal year that starts July 1, 2011, the forecast deficit is \$320 million, largely because federal stimulus money that has supported the last three budgets is running out. That fiscal 2012 budget is the first one that will be crafted by the governor and General Assembly that take office in January.

The projected shortfalls get worse as time goes by. The gaps are \$416 million in fiscal year 2013, \$457 million in fiscal 2014 and \$536 million for fiscal 2015.

The bond analysts also cite the state's unfunded pension fund liability because the funding ratios are low relative to other states.

Moody's said that for the state employees' pension funds, the funded ratio increased from 57.5 percent to 61.8 percent from July 1, 2007 to June 30, 2008. Still, the funding levels are way below the ratio of about 84 percent in 1999.

"Since 1996, past generous retirement incentives and weak investment returns have contributed to below average funded ratios," Moody's said, adding that while some reforms have been enacted, there is still a large unfunded liability.

"The state's pension funding ratios may decline further as market losses are factored into more current valuations," Moody's said, "...the state may need to increase its annual pension contributions, an additional expense that would compound the state's spending pressures at a time of rising health care costs and the state's tight financial position."

As state officials have looked for revenue to fill budget gaps, Moody's said cash flow borrowings to pay for state expenses have grown substantially, a sign of the strain on the state's liquidity.

The state issued \$120 million in cash flow notes in fiscal year 2007, \$220 million in fiscal year 2008, \$350 million in fiscal years 2009, 2010 and 2011.

In another key corner of the state's financial picture, debt ratios remain above average, but the burden has dropped considerably during the last 10 years, Moody's said.

Total tax-supported debt for 2010 was \$2.2 billion, up from the prior year's level of \$1.9 billion. Net tax-supported debt was 5.2 percent of total state personal income, ranking it 11th highest in the country. But that burden is down from the 9 percent level in the early 1990s when the state borrowed heavily to bail out depositors caught in the credit union crisis.

The Moody's and S&P analysts also cite the uncertainty of the economy and its impact on Rhode Island's financial health.

Moody's said Rhode Island's "weakened economy" means its "recovery is likely to lag the nation and thereby create continuing financial challenges for the state...In the past several years, Rhode Island has balanced its budgets with one-time solutions which raise concerns regarding the state's likelihood of achieving structural budget balance in the near term."

Standard & Poor's wrote, "... Additional economic deterioration beyond the state's current projections could further reduce economically sensitive revenues and make the achievement of structural budget balance more difficult."

The **Schilling** deal has been controversial. Most of the candidates for governor have spent a lot of time and effort criticizing it.

But by far the bigger issues that must be confronted are a complete overhaul of the state's economy and finances. Right now, both are way out of whack.

Don't take my word for it.

Listen to what the outside experts are telling the people with the money.

"Recovery is likely to lag the nation and thereby create continuing financial challenges for the state ... " Moody's analysis

John Kostrzewa is assistant managing editor / commerce & consumer issues. Reach him at 277-7330 or at jkostrze@projo.com John Kostrzewa is assistant managing editor / commerce & consumer issues. Reach him at 277-7330 or at jkostrze@projo.com

---- INDEX REFERENCES ----

NEWS SUBJECT: (Economic Policy & Policymakers (1EC69); Public Finance (1PU60); Economic Indicators

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(1EC19); Economics & Trade (1EC26); Credit Ratings (1CR83); Economic Statistics (1EC52))

INDUSTRY: (Financial Services (1FI37))

REGION: (North America (1NO39); USA (1US73); Americas (1AM92); U.S. New England Region (1NE37); Rhode Island (1RH18); Massachusetts (1MA15))

Language: EN

OTHER INDEXING: (INVESTORS SERVICES; MOODY; RED SOX) (Assembly; Curt Schilling; Economists; John Kostrzewa; Reach; Read; Rhode; Rhode Islander; Schilling; Standard Poor)

COMPANY TERMS: MOODYS INVESTORS SERVICES

EDITION: All

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October 17, 2010

The Providence Journal, R.I., John Kostrzewa column
John Kostrzewa
The Providence Journal, R.I.

Oct. 17--Moody's Investors Service has assigned an A2 rating to the \$75 million in bonds that the Rhode Island Economic Development Corporation plans to sell to private investors with a state loan guarantee.

The proceeds from the bond sale, planned in the next two weeks, will be used to finance the relocation, set up and operation of 38 Studios LLC, the video game company founded by former Red Sox pitcher Curt Schilling.

The A2 rating is three notches below the Aa2 rating on Rhode Island's general obligation bonds. Moody's said there are several reasons for the lower rating.

The private investors who buy the bonds will be paid back primarily by 38 Studios. Moody's notes, "Given the development stage nature of the company, loan payments from 38 Studios have inherently more risk than other revenue streams that have established track records and predictability."

Also, Moody's notes the bonds are moral obligation bonds, meaning they are special obligations of the RIEDC, and not a debt of state taxpayers.

If 38 Studios does not make the monthly payments on the bonds, the state guarantee kicks in. Under the agreement, the RIEDC has to notify the governor of any deficiency in the debt service reserve fund set up for the bonds and the governor has to ask the General Assembly to appropriate the money to replenish the reserve fund.

The deal is not unique. The state has a history of issuing moral obligation bonds and the General Assembly has previously made appropriations for moral obligation debt.

While Moody's rated the bonds A2 with a stable outlook, Standard & Poor's rated the bonds A, with a negative outlook. A spokesperson for Standard & Poor's said a negative outlook indicates the possibility the rating could be lowered in the next 6 to 24 months.

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The bond ratings are among the factors that financial institutions Wells Fargo and Barclays will use to determine the interest rates paid to the investors who will buy the bonds. The interest rate on the bonds, which will be sold in \$100,000 increments, is capped at 8 percent, the RIEDC said.

In return for the proceeds from the bond sale, 38 Studios has agreed to bring its headquarters and 450 jobs to Rhode Island, with an average salary of \$67,500, over the next three years. Moody's also said 38 Studios currently has 84 workers in Baltimore, where it runs an office, and 94 staffers in Maynard, Mass., the current headquarters.

JOHN KOSTRZEWA

jkostrze@projo.com

--- INDEX REFERENCES ---

COMPANY: WELLS FARGO FINANCIAL WASHINGTON INC; WELLS FARGO AND CO; WELLS FARGO FINANCIAL WASHINGTON 1 INC; WELLS FARGO FINANCIAL TEXAS INC; WELLS FARGO; WELLS FARGO FINANCIAL WYOMING INC; WELLS FARGO FINANCIAL INC; WELLS FARGO RETAIL FINANCE II LLC; RHODE ISLAND ECONOMIC DEVELOPMENT CORP; WELLS FARGO OF CALIFORNIA INSURANCE SERVICES INC; WELLS FARGO BUSINESS CREDIT; WELLS FARGO INSTITUTIONAL FUNDING LLC; WELLS FARGO INSURANCE SERVICES INC; WELLS FARGO FINANCIAL MISSOURI INC; WELLS FARGO FINANCIAL BANK; WELLS FARGO FINANCING CORP; RHODE ISLAND EMERGENCY PHYSICIANS INC; WELLS FARGO FINANCIAL GUAM INC; WELLS FARGO FINANCIAL NORTH CAROLINA INC; WELLS FARGO FINANCIAL RETAIL SERVICES COMPANY CANADA; WELLS FARGO SERVICES CO; WELLS FARGO PROPERTIES INC; WELLS FARGO FINANCIAL ACCEPTANCE PENNSYLVANIA INC; WELLS FARGO FINANCIAL AGENCY CO; WELLS FARGO CREDIT INC; WELLS FARGO ADVANTAGE MULTI SECTOR INCOME FUND

NEWS SUBJECT: (Rhode Island Municipal Bonds (1MU80); Municipal General Obligation Bonds (1MU91); Funding Instruments (1FU41); Credit Ratings (1CR83); Economic Development Agencies (1EC15); Economic Development (1EC65); Corporate Bonds (1XO30); Bond Issues (1BO94); Investment-Grade Bonds (1IV32); Economics & Trade (1EC26); Corporate Events (1CR05); Municipal Bonds (1MU39); Corporate Funding (1XO17); Business Management (1BU42))

INDUSTRY: (Investment Management (1IN34); Retail Banking Services (1RE38); Banking (1BA20); Loans (1LO12); Securities Investment (1SE57); Bonds (1BO97); Financial Services (1FI37))

REGION: (Americas (1AM92); USA (1US73); North America (1NO39); U.S. New England Region (1NE37); Rhode Island (1RH18))

Language: EN

OTHER INDEXING: (RED SOX; RHODE ISLAND; RHODE ISLAND ECONOMIC DEVELOPMENT CORP; RIEDC; STUDIOS; STUDIOS LLC; WELLS FARGO) (Assembly; Curt Schilling; John Kostrzewa;

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Moody; Standard Poor; The)

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Providence Journal Bulletin (RI)
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October 16, 2010

Section: Local News

Companies come courting EDC for loan guarantees ; COMMERCE

Andy Smith; Andy Smith, Journal Staff Writer

PROVIDENCE -- Andera, a software developer based in downtown Providence, is one of four or five companies "actively engaged" with the state's Economic Development Corporation about a loan guarantee under the same program used to bring Curt Schilling's video company to Providence, said EDC director Keith Stokes.

Stokes declined to identify the other companies, saying the EDC does not comment on its negotiations with private companies. He said they include another video-game company, a medical-device company and a life-sciences firm.

The number has been narrowed from about a dozen who have contacted the EDC.

The companies became aware of the loan guarantee program through the extensive publicity over the deal with the former Red Sox star pitcher. "All the interest in [Schilling's company] 38 Studios -- good, bad, and indifferent -- it's been a great marketing tool," Stokes said.

The legislation being used to bring 38 Studios to Rhode Island, called the Job Creation Guaranty Program, authorizes the state to guarantee up to \$125 million in loans. Schilling's company is in line to receive \$75 million, leaving \$50 million to distribute.

After approving the controversial Schilling deal, the EDC has formalized the loan guarantee process, including an extensive application.

In an interview Thursday in his office on Westminster Street, Andera CEO Charlie Kroll said his company contacted the EDC about a loan guarantee within the last month. Kroll said the company is in the process of completing the EDC application.

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Andera recently closed on a \$9-million venture capital investment from the Edison Ventures. Kroll said it was always part of Andera's business plan to take out a bank loan as well.

Kroll declined to specify the size of the loan Andera wants guaranteed by the state, but said it is under \$10 million.

Andera creates software that allows customers to open and fund bank accounts online. It employs about 60 people, with annual revenue between \$8 million and \$9 million.

Andera officials have met with J. Michael Saul, deputy director of the EDC. "The EDC has been very responsive, and very transparent about what it can and cannot do," Kroll said.

Among other things, the EDC does not make direct loans to companies. Because the purpose of the loan guarantee program is to create jobs, there are penalties if job targets are not met, which is also part of the **Schilling** deal.

Kroll said the mechanics of an Andera loan guarantee haven't been worked out yet, but he's doubtful it will involve issuing bonds to be sold to investors, which is how the **Schilling** deal is being financed. If 38 Studios cannot repay the investors, the state would be responsible for the debt.

Kroll said Andera's next step is to negotiate with banks for loan terms, and then bring the results to the EDC. Kroll said he hopes to do that by EDC's November board meeting, scheduled for Nov. 22.

Kroll said that the company plans to expand employment to 90 by the end of 2011 and to at least 200 within five years. Andera, now at 204 Westminster St., would also seek new office space.

Stokes anticipates that even more companies will be approaching the EDC, particularly after a series of public presentations throughout the state. Stokes plans to discuss all of the EDC's finance programs Tuesday at 8 a.m. at the Kirkbrae Country Club in Lincoln.

The remaining \$50 million in the Jobs Creation Guaranty Program is a tempting opportunity for entrepreneurs.

Frank Linnehan of Boston, for example, is seeking a \$40-million loan guarantee to start a TV cable network based in Rhode Island, which he said will create 400 jobs. Linnehan, who does not have any cable TV experience, said he hasn't contacted the EDC yet, although he has sought meetings with Governor Carcieri and some of Rhode Island's gubernatorial candidates.

Linnehan is critical of the **Schilling** deal. "To give the money to the first person in line, without reviewing any other plans, that makes no sense to me," he said. "It leads me to believe there wasn't a fair and honest review of

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the process."

Kroll, on the other hand, supports the **Schilling** deal.

"The state needs to make some big bets," he said. "There are certain risks, but I think the state has structured the deal so the risk is properly mitigated ... I do wish the politicians would stop grandstanding." (The EDC loan guarantee application is available on the EDC website at <http://www.riedc.com/files/Job-Creation-Guaranty-Program-Application.pdf>)

Andera, a Providence-based software company, is applying for a loan guarantee through the state's Economic Development Corporation. Andera is one of 4 or 5 companies competing for the remaining \$50 million in the program. The Providence Journal / Steve Szydlowski

Charlie Kroll, CEO of the software company Andera, said his business is seeking a loan guarantee such as the one granted to Curt **Schilling's** 38 Studios. The Providence Journal / Bob Thayer asmith@projo.com / 277-7485

--- INDEX REFERENCES ---

COMPANY: EDUCATIONAL DEVELOPMENT CORP; EDC; EXPORT DEVELOPMENT CANADA

NEWS SUBJECT: (Economics & Trade (1EC26); Funding Instruments (1FU41); Corporate Events (1CR05); Economic Development Agencies (1EC15); Venture Capital (1VE73); Corporate Funding (1XO17); Business Management (1BU42); Economic Development (1EC65))

INDUSTRY: (Retail Banking Services (1RE38); Banking (1BA20); I.T. (1IT96); Loans (1LO12); Financial Services (1FI37); Advanced Digital Technologies (1AD50))

REGION: (North America (1NO39); USA (1US73); Americas (1AM92); U.S. New England Region (1NE37); Rhode Island (1RH18))

Language: EN

OTHER INDEXING: (ECONOMIC DEVELOPMENT CORP; EDC; EDISON VENTURES; JOB CREATION GUARANTY PROGRAM; JOBS CREATION GUARANTY PROGRAM; KIRKBRAE COUNTRY CLUB; TV; WESTMINSTER ST) (Andera; Carcieri; Charlie Kroll; Curt Schilling; Frank Linnehan; J. Michael Saul; Keith Stokes; Kroll; Linnehan; Schilling; Stokes)

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September 29, 2010

Section: Local News

Rating firms issue reports on 38 Studios bonds ; Business

PROVIDENCE -- National bond-rating agencies Moody's and Standard & Poor's issued their reports Monday on the bonds the state Economic Development Corporation plans to issue to support its \$75- million loan guarantee for former Red Sox pitcher Curt Schilling's video-game company, 38 Studios LLC.

Moody's gave the bonds a rating of A2 with a stable outlook, Standard & Poor's an A, with a negative outlook. A spokesperson for Standard & Poor's said a negative outlook indicates the possibility the rating could be lowered in the next 6 to 24 months.

The bond ratings are among the elements that financial institutions Wells Fargo and Barclays will use to determine the interest rates paid to the investors who will buy the bonds.

The EDC bonds are revenue bonds, meaning they are backed by the revenue from 38 Studios, and the state has what is called a moral obligation to pay. Both agencies said the state has a history of honoring its moral-obligation bonds.

Both reports said that, under the legislation authorizing the EDC to issue the bonds, the governor is required to notify the General Assembly of any shortfall should 38 Studios be unable to pay its debt. But the General Assembly is not legally obligated to appropriate the money.

Moody's also pointed to the risks of the video-game business and the lack of physical assets should 38 Studios default. The Standard & Poor's report concentrated on the state's ongoing budget problems.

Last week, 38 Studios announced it had chosen its new headquarters in downtown Providence, at One Empire Plaza.

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-- Andy Smith

---- INDEX REFERENCES ----

COMPANY: WELLS FARGO FINANCIAL WASHINGTON INC; WELLS FARGO AND CO; WELLS FARGO FINANCIAL WASHINGTON I INC; WELLS FARGO FINANCIAL TEXAS INC; WELLS FARGO; WELLS FARGO FINANCIAL WYOMING INC; WELLS FARGO FINANCIAL INC; WELLS FARGO RETAIL FINANCE II LLC; WELLS FARGO OF CALIFORNIA INSURANCE SERVICES INC; WELLS FARGO BUSINESS CREDIT; WELLS FARGO INSTITUTIONAL FUNDING LLC; WELLS FARGO INSURANCE SERVICES INC; WELLS FARGO FINANCIAL MISSOURI INC; WELLS FARGO FINANCIAL BANK; EDUCATIONAL DEVELOPMENT CORP; WELLS FARGO FINANCING CORP; WELLS FARGO FINANCIAL GUAM INC; WELLS FARGO FINANCIAL NORTH CAROLINA INC; WELLS FARGO FINANCIAL RETAIL SERVICES COMPANY CANADA; WELLS FARGO SERVICES CO; WELLS FARGO PROPERTIES INC; WELLS FARGO FINANCIAL ACCEPTANCE PENNSYLVANIA INC; WELLS FARGO FINANCIAL AGENCY CO; WELLS FARGO CREDIT INC; EDC; EXPORT DEVELOPMENT CANADA; WELLS FARGO ADVANTAGE MULTI SECTOR INCOME FUND

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INDUSTRY: (Investment Management (1IN34); Bonds (1BO97); Financial Services (1FI37); Securities Investment (1SE57))

Language: EN

OTHER INDEXING: (EDC; EMPIRE PLAZA; RED SOX; STATE; STATE ECONOMIC DEVELOPMENT CORP; STUDIOS; STUDIOS LLC; WELLS FARGO) (Andy Smith; Assembly; Curt Schilling; Moody; Poor; Standard Poor)

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Word Count: 258

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Providence Journal, The (RI)
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September 21, 2010

Dozen companies eye economic loans from R.I.
Andy Smith
The Providence Journal, R.I.

Sept. 21--Officials at the state Economic Development Corporation said about a dozen other companies have applied for loan guarantees under the same program that granted a \$75-million guarantee to retired Red Sox pitcher Curt Schilling's company, 38 Studios LLC.

The legislation granting the EDC authority to make the loan guarantees authorized the agency to back up to \$125 million in loans.

With \$75 million allocated for 38 Studios, that leaves \$50 million.

Keith Stokes, executive director of the EDC, said the other companies that applied for loan guarantees include two from Massachusetts, two from Connecticut and the rest from Rhode Island.

He said they became aware of the program through publicity over the 38 Studios deal.

Stokes said the EDC is in ongoing discussions with four or five companies that are seeking loan guarantees in the \$2-million to \$4-million range.

Some of the companies, Stokes said, might ultimately qualify for assistance under different EDC programs than the one used for 38 Studios, which was designed to provide capital for high-tech or "knowledge-economy" businesses.

Stokes said companies have contacted the EDC on their own, but the agency plans a "road show" in the near future to explain the program to Rhode Island business owners.

EDC spokesman Mike Blazek said the agency wants to hold panel discussions on the loan-guarantee program in

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October at local chambers of commerce around the state.

In the meantime, interested companies can fill out an application on the EDC website, at www.riedc.com.

Click under "business services" and then under "financing" and finally under "Job Creation Guaranty Program."

asmith@projo.com

---- INDEX REFERENCES ----

COMPANY: EDUCATIONAL DEVELOPMENT CORP; EDC; EXPORT DEVELOPMENT CANADA

NEWS SUBJECT: (Economics & Trade (1EC26); Economic Development Agencies (1EC15); Economic Development (1EC65))

REGION: (U.S. New England Region (1NE37); Rhode Island (1RH18); North America (1NO39); Americas (1AM92); USA (1US73))

Language: EN

OTHER INDEXING: (DOZEN; EDC; RED SOX; STUDIOS; STUDIOS LLC) (Click; Curt Schilling; Keith Stokes; Mike Blazek; Sept; Stokes)

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September 18, 2010

Section: Local News

38 Studios won't get film-tax credit ; Business

The state Economic Development Corporation said retired Red Sox pitcher Curt **Schilling's** video-game company, **38 Studios LLC**, will not be able to use funds backed by a state loan guarantee to receive state tax benefits, specifically the film-tax credit.

The state is luring **Schilling's** company from Maynard, Mass., to Rhode Island with a \$75-million loan guarantee. The EDC is issuing \$75 million in bonds, which will be purchased by private investors.

38 Studios is responsible for paying them back, but if the company defaults, the state would be responsible for the debt.

EDC officials said the state's film-tax credit does have a provision for video-game production, but **38 Studios** will not receive any credit for expenditures made with money from the bond proceeds.

Should the company spend more than \$75 million, then it may apply to the Rhode Island Film & Television Office and the EDC for credits on the additional spending. The film-tax credit is capped at \$15 million per year.

Andy Smith

--- INDEX REFERENCES ---

COMPANY: EDUCATIONAL DEVELOPMENT CORP; EDC; EXPORT DEVELOPMENT CANADA

NEWS SUBJECT: (Taxation (1TA10); Economics & Trade (1EC26); Economic Development Agencies (1EC15); Local Taxing Authorities (1LO66); Economic Development (1EC65))

INDUSTRY: (Retail Banking Services (1RE38); Banking (1BA20); Accounting, Consulting & Legal Services (1AC73); Loans (1LO12); Financial Services (1FI37))

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REGION: (North America (1NO39); USA (1US73); Americas (1AM92); U.S. New England Region (1NE37); Rhode Island (1RH18))

Language: EN

OTHER INDEXING: (EDC; RHODE ISLAND FILM TELEVISION OFFICE; STUDIOS; STUDIOS LLC)
(Andy Smith; Curt Schilling; Red Sox; Schilling)

COMPANY TERMS: STUDIOS LLC

EDITION: All

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September 17, 2010

Section: Local News

Bond sale planned for 38 Studios deal ; government

Paul Grimaldi; Paul Grimaldi, Journal Staff Writer

Economic-development officials reveal financial details of the deal that brought former Red Sox pitcher Curt Schilling's company to Rhode Island

PROVIDENCE -- State economic development officials said Thursday that the bond sale underpinning a \$75-million loan guarantee being used to entice a Massachusetts company to Rhode Island is likely to occur in early October.

Originally expected to take place Aug. 31, the sale will support the finances of 38 Studios, the video-game company founded by former Red Sox pitching ace Curt Schilling. Schilling has agreed to move 38 Studios here and bring hundreds of sought-after technology jobs with him as a result of the financing arrangement now in its final stages.

"There's not a fixed closing date," said Robert I. Stolzman, a lawyer for the Rhode Island Economic Development Corporation.

Stolzman compared the deal, which requires nearly 100 documents to spell out, to closing on a home mortgage - it can get hung up if just one signature or approval is slow in materializing.

"We always thought this would occur sometime in September -- it's likely to occur in early October," Stolzman said. "No substantive, shocking issue ... has arisen" to block the bond sale.

The loan guarantee surfaced in mid-July, shortly after the General Assembly passed a law that empowers the state to guarantee up to \$125 million in loans to assist "knowledge-economy" and technology companies that have difficulty obtaining financing because they don't have conventional assets, such as factories or machinery,

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to use as collateral.

The timing and size of the 38 Studios guarantee, and perhaps Schilling's own fame, fomented months of criticism from politicians, business owners and ordinary taxpayers concerned about whether the EDC blundered when it committed so much money to one company trying to make a go of it in a highly competitive, financially risky industry.

Details of the 38 Studios deal have emerged slowly since July.

Thursday, EDC officials and their lawyers sat down with reporters to explain the rationale for the investment and provide more specifics about the deal's structure -- and the safeguards they say are in place to ensure the state gets its money back and gets the jobs it wants so desperately.

"Our goal is to invest in transactions that bring jobs," said Keith Stokes, the EDC's executive director.

The EDC will release to the public the primary bond sale document, known as a preliminary private placement memorandum, before the bond sale and a final memorandum once certain aspects are set.

The bonds will carry an interest rate of no more than 8 percent and be offered to a limited number of investors and institutions in \$100,000 increments. The bonds, underwritten by Wells Fargo and Barclays, will not be offered to the general public.

Money raised from the sale will be split three ways: \$51 million to 38 Studios; \$20 million to a reserve fund; about \$4 million for fees and expenses.

Schilling has invested more than \$30 million of his own money in 38 Studios, Stolzman confirmed, and neither he nor any existing company investor can use the bond sale proceeds to pay themselves back.

Some money will be used to pay off a loan from a Massachusetts bank.

Otherwise, 38 Studios has "very little debt," Stolzman said.

The state stands to earn a "success fee" of more than \$15 million if Schilling's company exceeds income projections starting in fiscal year 2013.

The fee is based on 38 Studios' financial statements beginning with fiscal year 2013. If the company's operating income is greater than the projections 38 Studios has furnished to the EDC, 38 Studios must annually pay a fee equal to 25 percent of the unexpected income, up to \$5 million per year, until a total of \$15.25 million has been reached.

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There's also a \$7,500 penalty, to be assessed annually, on each unfilled job below the 450-worker total Schilling has committed to bring here.

Schilling's company would be responsible for paying back the bond investors. If 38 Studios is unable to pay back the investors, the state would be responsible for the debt.

The \$20-million reserve fund ensures three years of interest and debt payments. Beyond that, state taxpayers would have to pay investors the principal and interest that remains on the 10-year bonds.

Financial ratings agencies are expected to release their debt ratings on the bond issue within a week, Stolzman said.

The bonds will carry an interest rate of no more than 8 percent and be offered to a limited number of investors and institutions in \$100,000 increments. pgrimald@projo.com / 277-7356

---- INDEX REFERENCES ----

COMPANY: WELLS FARGO FINANCIAL WASHINGTON INC; WELLS FARGO AND CO; WELLS FARGO FINANCIAL WASHINGTON 1 INC; WELLS FARGO FINANCIAL TEXAS INC; WELLS FARGO; WELLS FARGO FINANCIAL NORTH CAROLINA INC; WELLS FARGO SERVICES CO; WELLS FARGO FINANCIAL RETAIL SERVICES COMPANY CANADA; WELLS FARGO RETAIL FINANCE II LLC; WELLS FARGO INSTITUTIONAL FUNDING LLC; WELLS FARGO INSURANCE SERVICES INC; WELLS FARGO FINANCIAL ACCEPTANCE PENNSYLVANIA INC; EDUCATIONAL DEVELOPMENT CORP; EDC; WELLS FARGO FINANCIAL AGENCY CO; EXPORT DEVELOPMENT CANADA; WELLS FARGO ADVANTAGE MULTI SECTOR INCOME FUND

NEWS SUBJECT: (Rhode Island Municipal Bonds (1MU80); Economics & Trade (1EC26); Funding Instruments (1FU41); Corporate Events (1CR05); Economic Development Agencies (1EC15); Municipal Bonds (1MU39); Corporate Funding (1XO17); Business Management (1BU42); Economic Development (1EC65); Massachusetts Municipal Bonds (1MU60))

INDUSTRY: (Investment Management (1IN34); Retail Banking Services (1RE38); Banking (1BA20); Loans (1LO12); Bonds (1BO97); Securities Investment (1SE57); Financial Services (1FI37))

REGION: (North America (1NO39); USA (1US73); Americas (1AM92); U.S. New England Region (1NE37); Rhode Island (1RH18); Massachusetts (1MA15))

Language: EN

OTHER INDEXING: (EDC; RED SOX; WELLS FARGO) (Assembly; Curt Schilling; Keith Stokes; Originally; Robert I. Stolzman; Schilling; Stolzman)

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September 10, 2010

Section: Editorial

Questioning a bad deal

Governor Carcieri says the two leading candidates to succeed him - - Democrat Frank Caprio and independent Lincoln Chafee -- hurt Rhode Island's economic viability with their "political posturing" against a \$75 million loan guarantee to a risky videogame venture, 38 Studios LLC, founded by former Red Sox pitcher Curt Schilling. It's a done deal, the governor insists.

Maybe, but these candidates raise some excellent points.

In his role as state treasurer, Mr. Caprio asked two national bond-rating agencies to stall their work on the project until a new governor takes office next January. He also vented his concerns to the investing world, via an interview in the national trade publication The Bond Buyer.

Mr. Caprio contends that the state's deal fails to protect the taxpayers, by saddling them with great risk. At the very least, Rhode Island should obtain equity in 38 Studios and be able to attend board meetings, he contends.

Well before Mr. Caprio raised objections, former U.S. Senator Chafee had urged the state Economic Development Corporation to withdraw from the deal, which is far more generous than anything other states were offering. "Why has Rhode Island gambled so much for an unproven company that seeks to compete in a volatile, high-risk industry?" he asked.

Are these candidates exploiting the public's dismay with the deal for political gain? Perhaps. But that does not mean they are wrong.

Mr. Caprio initially embraced the idea, and only came out against it after the outcry grew. The treasurer said it took him some time to study the details before he realized how bad the deal was for taxpayers.

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Governor Carcieri seems unimpressed with this argument. The EDC voted almost unanimously to move forward with the deal only after "months of due diligence," he insists.

Maybe the insiders had months to vet the plan, but the public and such key officials as the state treasurer obviously did not. A \$75 million loan guarantee -- a whopping 60 percent of all the money set aside under a new state loan program -- merited far more rigorous and extended public debate.

Whether Mr. Caprio and Mr. Chafee can do anything about it now is a good question. But, as we say, they raise some valid points that should have been part of the EDC's due diligence. We hope that the agency exercises more prudence in looking at future proposed deals.

---- INDEX REFERENCES ----

COMPANY: EDUCATIONAL DEVELOPMENT CORP; EDC; EXPORT DEVELOPMENT CANADA

NEWS SUBJECT: (Economics & Trade (1EC26); Economic Development Agencies (1EC15); Economic Development (1EC65))

REGION: (U.S. New England Region (1NE37); Rhode Island (1RH18); North America (1NO39); Americas (1AM92); USA (1US73))

Language: EN

OTHER INDEXING: (EDC; RED SOX; STUDIOS LLC) (Caprio; Carcieri; Chafee; Curt Schilling; Lincoln Chafee)

COMPANY TERMS: STUDIOS LLC

EDITION: All

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September 9, 2010

Section: Local News

Schilling loan has reserve provision ; Commerce

Andy Smith; Andy Smith, Journal Staff Writer

Deal includes set aside of \$20 million to ensure three years of interest and debt payments

PROVIDENCE -- The state Economic Development Corporation disclosed new details on Wednesday on the \$75-million loan guarantee with former Red Sox pitcher Curt **Schilling's** video-game company, 38 Studios LLC.

The deal includes a provision to set aside a reserve fund of \$20 million to ensure three years of interest and debt payments, according to an updated fact sheet released by the EDC.

When the \$20-million reserve fund and another \$4 million in fees and expenses connected with the deal are subtracted from the \$75- million bond proceeds, **Schilling's** company will be left with about \$51 million.

Because there's a \$20-million reserve fund, if 38 Studios defaults on its bond payments, Rhode Island taxpayers would be on the hook for \$55 million, not \$75 million, according to Melissa Chambers, spokeswoman for the EDC. In July, the directors of the EDC approved the loan guarantee for 38 Studios in return for the company moving its headquarters from Maynard, Mass., to Rhode Island and employing 450 workers here.

Under the deal, the state will issue \$75 million in revenue bonds that would be sold to private investors. Money raised from selling the bonds to private investors would be split three ways: \$51 million to 38 Studios; \$20 million to the reserve fund; about \$4 million for fees and expenses.

Schilling's company would be responsible for paying the bond investors back. If 38 Studios is unable to pay back the investors, the state would be responsible for the debt.

The deal still totals \$75 million, which is 60 percent of the \$125 million in loan guarantees set aside by the state

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to attract high-tech business to Rhode Island. There is \$50 million remaining.

The new details sparked responses from the two Republican gubernatorial candidates, John Robitaille and Victor Moffitt, during a debate at Channel 10 on Wednesday.

"I am just happy the deal is not killed, and that we still have an opportunity to have some jobs come in," Robitaille said.

Moffitt said he always felt \$75 million was a lot of money to give to one company, particularly in a risky industry such as video games. But he said he is supportive of the EDC.

The loan guarantee to 38 Studios has been a heated issue in the campaign, with independent Lincoln D. Chafee, Democrat Frank T. Caprio and Moderate Kenneth J. Block all raising serious questions about the size and risk of the deal.

The EDC expects the loan guarantee to close by the end of the month. 38 Studios is projected to announce its new location in Rhode Island by Nov. 30.

Although Schilling has said in interviews that the company will probably be located in downtown Providence, documents from the EDC only stipulate that the 38 Studios be located in Rhode Island.

Under terms of the deal, which is still being negotiated, 38 Studios is due to receive \$13 million -- reduced from \$15 million -- when the loan closes.

Another \$38 million is due to be distributed to 38 Studios over 15 months as the company hits certain benchmarks, mostly based on job creation.

Closing on the loan requires a signed, enforceable 10-year lease for the company's offices that must be satisfactory to both 38 Studios and the EDC. The company will announce the new location by Nov. 30.

Schilling's company is also required to pay an upfront fee of \$375,000 to the EDC, plus annual fees equal to 1.5 percent of the outstanding loan.

Keith Stokes, executive director of the EDC, was not available for comment. Chambers said the fees will come out of the bond proceeds, and will be used by the EDC for its business development programs.

In other provisions of the 38 Studios deal:

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- 38 Studios will provide 125 full-time jobs in Rhode Island within 12 months of the deal closing. (Employees must work in Rhode Island. They are not required to live in Rhode Island.)

- 38 Studios will add an additional 175 full-time jobs in Rhode Island within 24 months of closing.

- 38 Studios will add an additional 150 full-time jobs in Rhode Island within 36 months of closing.

- If it fails to create the jobs, 38 Studios is subject to a penalty of \$7,500 per year for each job.

- If 38 Studios relocates the company or any substantial portion of its jobs outside Rhode Island, the company's debt and related job penalty fees would be immediately payable to the EDC.

With reports from Katherine Gregg

Curt Schilling, left, and Jennifer MacClean, 38 Studios CEO, at the Economic Development Corporation meeting in July. The Providence Journal / Bob Thayer asmith@projo.com / 277-7485

---- INDEX REFERENCES ----

COMPANY: EDUCATIONAL DEVELOPMENT CORP; EDC; EXPORT DEVELOPMENT CANADA

NEWS SUBJECT: (Economics & Trade (1EC26); Corporate Events (1CR05); Economic Development Agencies (1EC15); Corporate Funding (1XO17); Business Management (1BU42); Economic Development (1EC65); Business Failures (1BU16))

INDUSTRY: (Retail Banking Services (1RE38); Banking (1BA20); Loans (1LO12); Financial Services (1FI37))

REGION: (North America (1NO39); USA (1US73); Americas (1AM92); U.S. New England Region (1NE37); Rhode Island (1RH18))

Language: EN

OTHER INDEXING: (COMMERCE; ECONOMIC DEVELOPMENT CORP; EDC; RED SOX; STUDIOS; STUDIOS LLC) (Chambers; Curt Schilling; Employees; Frank T. Caprio; Jennifer MacClean; John Robitaille; Keith Stokes; Kenneth J. Block; Lincoln D. Chafee; Melissa Chambers; Moffitt; Robitaille; Schilling; Victor Moffitt)

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September 1, 2010

Section: Local News

Caprio tries to halt **Schilling** loan deal ; Business

Andy Smith; KATHERINE GREGG; Andy Smith; KATHERINE GREGG, Journal Staff Writers

Governor Carcieri tells gubernatorial candidates Caprio and Chafee not to interfere

PROVIDENCE -- In a turnabout, state treasurer and Democratic candidate for governor Frank T. Caprio is trying to halt the state's \$75-million loan guarantee to former Red Sox pitcher Curt **Schilling's** video-game company, **38 Studios LLC**.

Caprio is asking two national bond-rating agencies to withhold work on the project until a new governor is in office.

His actions -- and the continued opposition to the deal by a second candidate for governor, independent Lincoln D. Chafee -- provoked an angry response from Republican Governor Carcieri, who chairs the state Economic Development Corporation, which approved the plan.

Urging them both to cease their attempts to "interfere" with the \$75-million loan guarantee agreement with **38 Studios**, Carcieri said: "Businesses and the bond market should not be subject to political posturing. The attitudes and positions taken by Mr. Caprio and Mr. Chafee serve only to undermine the positive economic development steps the state has taken in recent years."

He also defended the deal, citing the Economic Development Corporation's near-unanimous vote to move forward after "months of due diligence."

EDC Executive Director Keith Stokes could not be reached for comment.

The EDC issued a terse statement saying it has a "legal, business, and moral obligation" to go ahead with the

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agreement, which is expected to close later in September.

Caprio said he voiced his concerns to Moody's Investors Service, one of the two rating agencies that will determine the credit-worthiness of the bonds, on Monday, and had a similar conversation with Standard & Poor's on Tuesday morning.

Representatives of both ratings agencies declined to comment Tuesday.

Caprio also took his objections directly to the investment world via a national trade publication, The Bond Buyer, which ran a story about his actions on Tuesday.

"The facts of this deal are not strong. This is not a deal where the taxpayers should potentially be on the hook for \$75 million," Caprio said in a phone interview Tuesday.

The deal between the state and 38 Studios is to be financed by the sale of revenue bonds issued by the EDC. The bonds would be purchased by private investors, who would be repaid by 38 Studios.

But if the company could not pay, the state would be responsible for the debt. In return for the loan guarantee, 38 Studios has pledged to move its headquarters from Maynard, Mass., to Rhode Island and bring 450 jobs to the state by the end of 2012.

Caprio's comments on Tuesday reflect an apparent turnabout by the state treasurer on the Schilling deal.

Caprio was "alone among the major gubernatorial candidates in offering unqualified support" for the \$75-million loan guarantee, according to a July 28 blog posting by the local NPR radio station, WRNI.

The blog reflected an interview a day earlier in which Caprio said: "I'm optimistic about it. The [EDC] board knew more than anybody. They voted almost unanimously for it. So now, in my role as a candidate and future governor, I'm going to be a cheerleader for it."

Tuesday afternoon, Caprio said he soured on the deal as he learned more about it.

"When the details of the transaction became known, the deal became totally unacceptable," he said.

"That's why I've taken these steps. It's all about the details of the transaction, which were held very close to the vest."

Michael Trainor, a spokesman for Chafee, who has been an outspoken critic of the Schilling deal, said "he is

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grateful for Treasurer Caprio's change of heart."

On Aug. 6, Caprio sent a letter to the EDC, recommending modifications to the deal. Among them, he said, the state should obtain equity in 38 Studios and the right to attend company board meetings.

Caprio spokesman Nick Hemond said the treasurer's opposition evolved over time, once it became clear the EDC was not going to take his earlier suggestions on how to make the deal more fair to Rhode Island and protect the state.

"I spoke with the EDC, I spoke with the governor and they have not taken the steps needed to make this a better deal for Rhode Island and protect our financial position. This is what needs to be done to protect the taxpayers," Caprio said.

Caprio said it is unclear whether he has the power as state treasurer to unilaterally halt the deal. "That's all part of discussions going on now," he said.

Unlike conventional bonds issued by the state, Caprio said, the EDC bonds do not have to be signed by the treasurer.

"Because the EDC is issuing the bonds, they control the process," he said. "But as chief financial officer of the state, looking to safeguard the state's financial standing and bond rating, I am looking to halt this unusual deal."

Caprio said he listed four major objections to the Schilling deal in his conversations with bond rating agencies and The Bond Buyer:

- The deal lacks the basic requirements that EDC normally expects of small businesses that apply for loans, specifically key-person insurance, a personal guarantee by the principals or bond insurance.
- Documents for the deal fail to disclose that the state is currently failing to honor a guarantee made by the EDC to the State's Retirement Fund as part of the state's financing of the American Express building in the 1990s.
- The nature and use of the bonds were not made clear at the time the authorizing legislation was debated and passed. No public hearings were held, no testimony from the public was taken.
- The deal jeopardizes the state's financial stature.

"This deal creates a risky moral obligation for the state, which could adversely affect the state's bond rating and make future state debt issuances more expensive," said Caprio in a statement issued by his campaign.

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Republican gubernatorial candidate John Robitaille, former communications director for Carcieri, lashed out at both Chafee and Caprio in a statement Tuesday. "It's obvious that Linc Chafee and Frank Caprio are anti-business and do not understand economic development," he said. "They are sending a 'keep out' message to any business that might consider moving to Rhode Island. With their opposition to the 38 Studio loan guarantee, they are killing jobs and hurting Rhode Island families." asmith@projo.com / 277-7485 kgregg@projo.com / 277-7078

---- INDEX REFERENCES ---

COMPANY: AMERICAN EXPRESS EUROPE LTD; AMERICAN EXPRESS SERVICES EUROPE LTD; AMERICAN EXPRESS; AMERICAN EXPRESS HOLDINGS LTD; AMERICAN EXPRESS CANADA CREDIT CORP; AMERICAN EXPRESS TRAVEL RELATED SERVICES CO INC; AMERICAN EXPRESS AUSTRALIA LTD; AMERICAN EXPRESS CENTURION BANK; AMERICAN EXPRESS INCENTIVE SERVICES LLC; AMERICAN EXPRESS CO; AMERICAN EXPRESS INTERNATIONAL INC; AMERICAN EXPRESS CERTIFICATE CO; EDUCATIONAL DEVELOPMENT CORP; EDC; EXPORT DEVELOPMENT CANADA; ROSENBLUTH INTERNATIONAL CO; AMERICAN EXPRESS REISEBUERO GMBH

NEWS SUBJECT: (Contracts & Orders (1CO29); Sales & Marketing (1MA51); Economics & Trade (1EC26); Credit Ratings (1CR83); Funding Instruments (1FU41); Economic Development Agencies (1EC15); Credit Enhancement (1CR52); Business Management (1BU42); Economic Development (1EC65))

INDUSTRY: (Investment Management (1IN34); Retail Banking Services (1RE38); Banking (1BA20); Loans (1LO12); Bonds (1BO97); Securities Investment (1SE57); Financial Services (1FI37))

REGION: (North America (1NO39); USA (1US73); Americas (1AM92); U.S. New England Region (1NE37); Rhode Island (1RH18))

Language: EN

OTHER INDEXING: (AMERICAN EXPRESS; BOND BUYER; ECONOMIC DEVELOPMENT CORP; EDC; INVESTORS SERVICE; MOODY; RED SOX; RETIREMENT FUND; STATE; STATE ECONOMIC DEVELOPMENT CORP; STUDIOS; STUDIOS LLC) (Caprio; Carcieri; Chafee; Curt Schilling; Documents; Frank Caprio; Frank T. Caprio; John Robitaille; Keith Stokes; Lincoln D. Chafee; Michael Trainor; Nick Hemond; Representatives; Schilling; Urging)

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August 1, 2010

Section: Local News

R.I. has gambled and lost on loans ; 38 studios deal Loan guarantees

Bruce Landis; Bruce Landis, Journal Staff Writer

PROVIDENCE -- If the state's economic development officials got it right, their loan guarantees to Curt Schilling's untested video- game company could remake the state's business profile, creating the anchor for a new industry.

But the tool the state Economic Development Corporation used to convince 38 Studios to relocate to Rhode Island from Massachusetts has another side.

The state has agreed to issue bonds and sell them to private investors to raise money for the company. The EDC committed the state to repay up to \$75 million in loans if the company defaults.

Over the years, similar deals have produced a number of disappointments.

In 1974, the state sold \$4.2 million in bonds to help two businessmen, who promised to produce jobs, to buy the Fairmount Foundry in Cranston. Two years later, they closed the foundry and defaulted on the bonds.

In 1999, Alpha-Beta Technology, a drug manufacturer, closed and defaulted on \$29 million in state bonds. The bonds had been issued six years before to help build a new plant in Smithfield for the then-promising biotechnology firm.

When the Alpha-Beta deal failed, the state EDC and a former sister agency, the Rhode Island Port Authority, had issued bonds eight times. Twice, businesses (Alpha-Beta and Fairmount) closed and defaulted. Out of \$110 million in loans, businesses had defaulted on \$33 million.

In the mid-1990s, the state sold \$3.6 million in bonds to help CytoTherapeutics, a company officials had hoped

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would become a cornerstone of the state's biotechnology industry, to build a plant in Lincoln. In 1999, Cyto-Therapeutics suffered setbacks and moved to California, leaving a dispute about how much it should pay back.

Gary S. Sasse, the long-time executive director of the Rhode Island Public Expenditure Council who then became state revenue director and was state director of administration until March, said he knows the EDC board members who made the decision on 38 Studios, partly from his years at RIPEC. They are, he said, capable and careful people who "did their due diligence" investigating the proposal.

38 Studios says it employs about 200 and has promised to expand the company to 450 jobs by the end of 2012. It has two video games under development but no games on the market.

While the 38 Studios proposal presented "some very tough choices," Sasse said, "I'd have reached a different decision" than the EDC did when it approved the loan guarantees.

He questioned the use of guarantees at all. He said there are arguments for them, notably the possibility of developing a new industry here. But although there are pluses and minuses, for Sasse they add up to a minus.

If the company doesn't pay, Sasse pointed out, "The taxpayers of the state would be on the hook."

"You're playing with other people's money," Sasse said, and argued that it's too risky a use of tax money.

He also said that the qualities most important to companies are good schools, a trained work force, low taxes and an infrastructure in good condition. Without them, he said, in the long run other economic development tools such as loan guarantees "aren't going to get you where you want to be."

He also questioned the EDC's "putting too many of its eggs in one basket," with \$75 million consuming 60 percent of the available \$125 million.

On top of the risk involved, he said, is the lost opportunity to issue more loan guarantees to assist other companies.

A significant risk with a project such as video gaming, Sasse said, is that the critical part of the company is the "intellectual capital," the employees, not a factory and machinery.

For one thing, those employees may leave or never arrive. He said he has already heard that a Massachusetts video-game company has made an offer to prospective 38 Studio employees living in Massachusetts to work for it there instead of commuting to Rhode Island.

There's also the issue of collateral. When someone borrows money to buy a house, the house itself serves as col-

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lateral. But a video- gaming company has "soft collateral," assets that are intellectual, not something hard and salable if the deal goes bad. With such a risky investment, Sasse said, "you need both belt and suspenders" to protect the state.

Alpha-Beta Technology, a drug manufacturer that had been located off Route 7 in Smithfield, closed in 1999 and defaulted on \$29 million in state bonds. PROVIDENCE JOURNAL FILES / MICHAEL J.B. KELLY

In the mid-1990s, the state sold \$3.6 million in bonds for CytoTherapeutics to build this Lincoln headquarters. In 1999, the company moved to California. PROVIDENCE JOURNAL FILES / MICHAEL J.B. KELLY bland-is@projo.com / 277-7487

---- INDEX REFERENCES ----

COMPANY: ALPHA BETA TECHNOLOGY INC; ALPHA BETA CO; EDUCATIONAL DEVELOPMENT CORP; STEMCELLS INC; EDC; EXPORT DEVELOPMENT CANADA

NEWS SUBJECT: (Funding Instruments (1FU41); Economic Development Agencies (1EC15); Economic Development (1EC65); Bond Issues (1BO94); Company Profiles (1CO63); Economics & Trade (1EC26); Corporate Events (1CR05); Corporate Funding (1XO17); Business Management (1BU42))

INDUSTRY: (Investment Management (1IN34); Software Products (1SO56); Retail Banking Services (1RE38); Multimedia Software Applications Development (1MU49); Banking (1BA20); I.T. (1IT96); Application Software Development (1AP78); Loans (1LO12); Software (1SO30); Bonds (1BO97); Securities Investment (1SE57); Advanced Digital Technologies (1AD50); Financial Services (1FI37); Application Software (1AP32))

REGION: (Americas (1AM92); USA (1US73); Massachusetts (1MA15); North America (1NO39); U.S. New England Region (1NE37); Rhode Island (1RH18))

Language: EN

OTHER INDEXING: (ALPHA BETA; ALPHA BETA TECHNOLOGY; EDC; EDC BOARD; FAIRMOUNT; FAIRMOUNT FOUNDRY; RHODE ISLAND PORT AUTHORITY; RHODE ISLAND PUBLIC EXPENDITURE COUNCIL; RIPEC; STATE EDC) (Curt Schilling; CytoTherapeutics; Gary S. Sasse; MICHAEL J.B. KELLY; Sasse)

COMPANY TERMS: ALPHA BETA TECHNOLOGY INC; CYTOTHERAPEUTICS INC

PRODUCT: Drugs; Commercial Physical & Biological Research; Biological Product (Except Diagnostic) Manufacturing

SIC: 2830; 8731

NAICS CODE: 325414

TICKER SYMBOL: ABTI; CTII

EDITION: All

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August 1, 2010

Section: Local News

38 Studios' success could mean big boost in revenue ; TAXES

Neil Downing; Neil Downing, Journal Staff Writer

Rhode Island stands to gain millions in taxes paid by the company and its employees

PROVIDENCE -- The relocation of video game developer 38 Studios to Rhode Island could generate more than \$1 million a year in personal income tax revenue for the state.

The figure represents only the estimated income taxes that the company's workers themselves would pay; the state would reap additional revenue through sales and other taxes paid by the company and its staff.

To entice the firm to move here and expand its operations, the Rhode Island Economic Development Corporation last week authorized a loan guarantee by the state, not tax credits or other such tax breaks, said Mark Higgins, dean of the University of Rhode Island's College of Business Administration. Thus, if the business is successful and pays back the borrowings on schedule, Rhode Island taxpayers would not be on the hook for the loan, and the business and its workers -- as well as suppliers and others -- would pay taxes to Rhode Island, Higgins said. So if all goes according to plan, "it's a win," he said.

Former state revenue director Gary S. Sasse said, "If it's successful ... there would be a net gain in revenues. That clearly would [have] a positive tax impact to the state." Sasse said it is a fundamental principle: The creation of jobs increases the tax base -- which, in turn, increases tax revenue.

38 Studios, founded by former Boston Red Sox pitcher Curt Schilling, declined to comment on the potential tax impact. "While we're very excited about the [loan guarantee approval], it would be inappropriate for us to comment before the transaction is concluded," said Denise Kaigler, the company's chief marketing officer. Still, enough is known about the nature of the transaction, and about Rhode Island's tax system, to at least sketch some of the potential tax effects. For example:

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- Tax on workers: The company's employees will be subject to Rhode Island's personal income tax -- whether they move to Rhode Island and are taxed as residents, or they commute to Rhode Island -- from Massachusetts or another state -- and are taxed as nonresidents, said Rhode Island Tax Administrator David M. Sullivan.

The company plans to bring 450 "highly skilled, high-wage jobs to the state" over time, according to the economic development agency. Estimates of the average wage vary. But a worker who is single, with no children, and earning about \$75,000 a year, for example, would pay about \$2,500 a year in Rhode Island personal income tax, according to an analysis by Patricia A. Thompson, vice chairwoman of the American Society of Certified Public Accountants' national tax executive committee. Thus, 450 such workers could wind up paying an overall total of \$1.13 million a year, according to Thompson, who is also tax partner at Piccerelli Gilstein & Co. LLP, a CPA firm in Providence.

- Tax on others: The relocation of 38 Studios would have a multiplier effect, generating work -- and jobs -- not only among suppliers, but also other video-game companies, for example. The economic development agency estimates that, in addition to 450 direct jobs, the company's relocation would also result in 1,113 indirect jobs. As a result, overall personal income tax revenue could exceed \$3.5 million a year, according to agency estimates.

- Business tax: 38 Studios is a limited liability company -- a pass-through, or flow-through, entity. Assuming it retains that structure in Rhode Island, it generally would not be taxed at the business level. But tax would not be avoided. Instead, in general, the firm's income and expenses would flow through to its owners, who would report the items on their personal income tax returns, and pay tax at a top rate of 5.99 percent.

"In the early years, it's probably not going to have income," and so would record net losses for tax purposes, Higgins said. Owners might be able to claim their share of the losses on their personal returns, he said. (Also, the business itself would be subject to the state's minimum annual corporate tax of \$500, he said.)

- Sales tax: In general, businesses -- including video-game companies -- are subject to Rhode Island's statewide 7 percent sales tax, Sullivan said. For example, the purchase of \$100,000 in computer equipment would generate \$7,000 in Rhode Island sales tax.

- Property tax: Melissa Chambers, spokeswoman for the economic development agency, said, "At this time, we don't know if there will be any city tax breaks as we don't know where they will relocate to, and [any such breaks] would be up to the municipality." Overall, whatever tax impact Schilling's project has "will depend on whether he is successful or not," said Grafton H. "Cap" Willey IV, co-chairman of the Rhode Island chapter of the Smaller Business Association of New England, a trade group for small businesses. "We will see how it turns out."

The EDC authorized a loan guarantee by the state, not tax credits or other such tax breaks. ndown-
ing@projo.com / 277-7640

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---- INDEX REFERENCES ----

COMPANY: 38 STUDIOS LLC; LLP; BOSTON RED SOX; CPA; EDUCATIONAL DEVELOPMENT CORP; DE PRODUCTION ALIMENTAIRE; EDC; EXPORT DEVELOPMENT CANADA; PAULISTA DE ADM DE ATIVOS; CREDIT POPULAIRE D'ALGERIE

NEWS SUBJECT: (Taxation (1TA10); Public Finance (1PU60); Economic Policy & Policymakers (1EC69); Economics & Trade (1EC26); Economic Development Agencies (1EC15); Local Taxing Authorities (1LO66); Economic Development (1EC65))

INDUSTRY: (Electronics (1EL16); Retail Banking Services (1RE38); Consumer Electronics (1CO61); Banking (1BA20); Accounting, Consulting & Legal Services (1AC73); PC, Video & Online Games (1PC44); Loans (1LO12); Financial Services (1FI37); Consumer Video Products (1CO02); Consumer Products & Services (1CO62))

REGION: (North America (1NO39); USA (1US73); Americas (1AM92); U.S. New England Region (1NE37); Rhode Island (1RH18); Massachusetts (1MA15))

Language: EN

OTHER INDEXING: (38; 38 STUDIOS; AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS; BOSTON RED SOX; COLLEGE OF BUSINESS ADMINISTRATION; CPA; EDC; LLP; PICCERELLI GILSTEIN CO; SMALLER BUSINESS ASSOCIATION; STUDIOS; UNIVERSITY OF RHODE) (Assuming; Cap; Curt Schilling; David M. Sullivan; Denise Kaigler; Gary S. Sasse; Grafton H.; Higgins; Mark Higgins; Melissa Chambers; Patricia A. Thompson; Rhode; Sasse; Schilling; Sullivan; Tax; Thompson)

EDITION: All

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Providence Journal Bulletin (RI)
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July 27, 2010

Section: Local News

R.I. buys Schilling's pitch for loan ; Members of the EDC board

Andy Smith; Andy Smith, Journal Staff Writer

Board approves issuing \$75 million in bonds in exchange for promise of 450 jobs with video-game firm

The board of the Rhode Island Economic Development Corporation approved a controversial \$75-million loan guarantee to lure 38 Studios LLC, the video-game company founded by retired Red Sox pitcher Curt Schilling, from Massachusetts to Rhode Island.

The guarantee passed on a 8-to-1 vote, with Karl Wadensten, president of Vibco, a manufacturer of industrial vibrators, the lone opposition vote. Three members of the board were absent.

The arrangement is being made under a law passed in June that allows the state to guarantee up to \$125 million in loans for high-tech and "knowledge-based" companies. The loan guarantee to 38 Studios would use 60 percent of that money allocated under the law.

38 Studios has promised to bring 450 jobs to the state by the end of 2012.

During the public meeting, Wadensten said he looked at the deal from the perspective of a manufacturer. Bringing a video-game company here, he said, doesn't address the problems state businesses already have.

"This is an R&D [research and development] project, and R&D projects are tough," he said. "There are a lot of pros, but a lot of cons, too."

Other critics of the deal are concerned about the size of the loan, the risk that taxpayers will be on the hook, and the wisdom of investing in a company in a high-risk industry that has yet to bring a product to the public.

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Governor Carcieri, chairman of the EDC board and a backer of the project, acknowledged the deal is a risk, but said it's worth taking.

"We need to make a statement ... this gives us the ability to be a real player in the digital-media area," he said.

Schilling, an avid gamer, started 38 Studios, named for the number he wore as a Red Sox player, in 2006. In 2009, the company purchased Big Huge Games, a Maryland company.

According to 38 Studios CEO Jennifer MacLean, the company now employs about 200 people, divided between its headquarters in Massachusetts and Big Huge Games in Maryland.

The company is developing two products. One is a single-player game called "Kingdoms of Amalur: Reckoning," which is scheduled for release in the fall of 2011.

Executives from 38 Studios introduced the game last week at the Comic-Con convention in San Diego. **Schilling** said unveiling the game before the fanatic gamers at Comic-Con made him as nervous as walking out to the pitcher's mound at Fenway Park for the first time. The more ambitious project is called a massive multiplayer online game (MMOG), which can be played online by thousands of players simultaneously. Both games are set in the same fantasy world. 38 Studios has not revealed a release date for the MMOG.

At a news conference after the board meeting, **Schilling** said he's been negotiating exclusively with Rhode Island for the last four months, and denied any intent to play one state off another.

"This is a partnership," he said.

Under the terms of the deal, the state will issue \$75 million in bonds, which would be purchased by private investors. 38 Studios is responsible for repaying the money, but if it can't, the state would be responsible.

In that event, the state would be in first position to claim any assets 38 Studios possessed.

The company will not get the money all at once, but must meet certain benchmarks along the way.

Upon the loan closing, estimated to be Aug. 31, it will receive the first \$15 million.

Another \$10 million will be released upon the public announcement of a relocation date in Rhode Island, estimated to be made by Nov. 30.

The next \$20 million comes when the company is actually here, with at least 80 full-time jobs, estimated to be

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by Feb. 28, 2011.

If the company does not create 450 jobs by the end of 2012, it will be subject to a "job-shortfall fee" payable to the EDC of \$7,500 per job.

Should 38 Studios relocate the company outside Rhode Island, it would constitute a default on the loan, and the debt would be immediately payable.

KEY PLAYERS

Board members are appointed by Governor Carcieri, who also serves as chairman. Carcieri favored the project. Other members are:

Alfred J. Verrecchia, chairman, Hasbro Inc. Vote: yes.

Dr. Timothy Babineau

President and CEO, Rhode Island Hospital and Miriam Hospital. Absent.

Paul J. Choquette Jr. Vice chairman, Gilbane Inc. Vote: yes.

Donna C. Cupelo

Regional president, New England Verizon Communications. Vote: yes.

David Dooley

President, University of Rhode Island. Absent.

Stephen Lane

President, Ximedica. Vote: yes.

George Nee

President, AFL-CIO of Rhode Island. Vote: yes.

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J.L. "Lynn" Singleton

President, Providence Performing Arts Center. Vote: yes.

Cheryl Watkins Snead

President and CEO, Banneker Industries. Vote: absent.

Shivan Subramaniam

Chairman and CEO, FM Global. Vote: yes.

Dan Sullivan Jr

President and CEO, Collette Vacations Inc. Vote: yes

Karl Wadensten

President, VIBCO; Vote: no.

Curt **Schilling**, founder of 38 Studios, listens Monday as members of the R.I. Economic Development Corporation consider granting the company a multimillion-dollar loan. The Providence Journal / Bob Thayer

Keith W. Stokes, executive director of the Economic Development Corporation, oversees Monday's meeting. The Providence Journal / Bob Thayer asmith@projo.com / 277-7485

---- INDEX REFERENCES ----

COMPANY: HASBRO INC; DEVELOPMENT CORP; GILBANE BUILDING CO; EDUCATIONAL DEVELOPMENT CORP; PROVIDENCE PERFORMING ARTS CENTER; EDC; EXPORT DEVELOPMENT CANADA

NEWS SUBJECT: (Funding Instruments (1FU41); Economic Development Agencies (1EC15); Economic Development (1EC65); Corporate Bonds (1XO30); Bond Issues (1BO94); Economics & Trade (1EC26); Corporate Events (1CR05); Corporate Funding (1XO17); Business Management (1BU42))

INDUSTRY: (Investment Management (1IN34); Retail Banking Services (1RE38); Electronics (1EL16); Banking (1BA20); I.T. (1IT96); PC, Video & Online Games (1PC44); Loans (1LO12); I.T. in Manufacturing (1IT56); Bonds (1BO97); Securities Investment (1SE57); Consumer Products & Services (1CO62); Manufacturing (1MA74); Consumer Electronics (1CO61); Advanced Digital Technologies (1AD50); Financial Services

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(1FI37); Consumer Video Products (1CO02))

REGION: (Americas (1AM92); USA (1US73); Massachusetts (1MA15); Maryland (1MA47); U.S. Mid-Atlantic Region (1MI18); North America (1NO39); U.S. New England Region (1NE37); Rhode Island (1RH18))

Language: EN

OTHER INDEXING: (COLLETTE VACATIONS INC; COMIC CON; DEVELOPMENT CORP; ECONOMIC DEVELOPMENT CORP; EDC; EDC BOARD; ENGLAND VERIZON COMMUNICATIONS; GILBANE INC; HASBRO INC; MMOG; PRESIDENT UNIVERSITY; PROVIDENCE PERFORMING ARTS CENTER; RED SOX; STUDIOS; STUDIOS LLC; VIBCO) (AFL; Alfred J. Verrecchia; Banneker Industries; Carcieri; Cheryl Watkins Snead; Curt Schilling; Dan Sullivan Jr; David Dooley; Donna C. Cupelo; FM Global; George Nee; J.L.; Jennifer MacLean; Karl Wadensten; Keith W. Stokes; Lynn; Paul J. Choquette Jr.; Schilling; Shivan Subramaniam; Stephen Lane; Timothy Babineau; VIBCO; Wadensten; Ximedica)

COMPANY TERMS: STUDIOS LLC

EDITION: All

Word Count: 863

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Page 1

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 2010 WLNR 14252200
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Providence Journal, The (RI)
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July 16, 2010

BRIEF: EDC requests revisions in 38 Studios proposed \$75-million loan guarantee
 Andy Smith
 The Providence Journal, R.I.

July 16--The Rhode Island Economic Development Corporation, meeting in executive session Thursday, requested the EDC staff make some minor revisions in a proposed \$75 million loan guarantee to 38 Studios LLC, the video-game company founded by retired Red Sox pitcher Curt Schilling.

A spokesperson for the EDC said the changes involve 38 Studios' collateral for the loan, and defining the number and timing of the jobs 38 Studios would bring to Rhode Island.

If the guarantee is approved, 38 Studios would move to Rhode Island from its current headquarters in Maynard, Mass.

Representatives of 38 Studios were not present at the two-hour meeting. Keith Stokes, executive director of the EDC, said 38 Studios executives appeared before the board on June 14 and their presence was not necessary Thursday.

The next meeting of the EDC board is scheduled for July 26 at 4 p.m.

Under the plan, Rhode Island would sell \$75 million in bonds to a group of investors led by Wells Fargo Securities. Wells Fargo would lend the money to 38 Studios, which would pay back the loan.

If 38 Studios could not repay, Rhode Island would be responsible for the debt.

The company has promised to bring 400 jobs to Rhode Island by the end of 2012.

asmith@projo.com

---- INDEX REFERENCES ----

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Page 2

COMPANY: WELLS FARGO FINANCIAL WASHINGTON INC; WELLS FARGO AND CO; DEVELOPMENT CORP; WELLS FARGO FINANCIAL WASHINGTON 1 INC; WELLS FARGO FINANCIAL TEXAS INC; WELLS FARGO FINANCIAL RETAIL SERVICES COMPANY CANADA; WELLS FARGO SERVICES CO; WELLS FARGO INSTITUTIONAL FUNDING LLC; WELLS FARGO INSURANCE SERVICES INC; WELLS FARGO FINANCIAL ACCEPTANCE PENNSYLVANIA INC; EDUCATIONAL DEVELOPMENT CORP; WELLS FARGO FINANCIAL AGENCY CO; EDC; EXPORT DEVELOPMENT CANADA

NEWS SUBJECT: (Economics & Trade (1EC26); Economic Development Agencies (1EC15); Economic Development (1EC65))

INDUSTRY: (Loans (1LO12); Retail Banking Services (1RE38); Financial Services (1FI37); Banking (1BA20))

REGION: (U.S. New England Region (1NE37); Rhode Island (1RH18); North America (1NO39); Americas (1AM92); USA (1US73))

Language: EN

OTHER INDEXING: (DEVELOPMENT CORP; EDC; EDC BOARD; RED SOX; STUDIOS; STUDIOS LLC; WELLS FARGO; WELLS FARGO SECURITIES) (Curt Schilling; Keith Stokes)

TICKER SYMBOL: NYSE:WFC

Word Count: 203

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7/15/10 Providence J.-Bull. (R.I.) A
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Providence Journal Bulletin (RI)
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July 15, 2010

Section: Local News

R.I.'s pitch to get in the game ; Business Economic development

Andy Smith; Andy Smith, Journal Staff Writer

State economic development officials are proposing to bring 38 Studios LLC, the video-game development company founded by retired Red Sox pitcher Curt Schilling, from Massachusetts to Rhode Island. To lure the company here, the state would guarantee a \$75-million loan.

38 Studios has promised to bring at least 400 jobs -- with an average salary of \$72,500 -- to the state by the end of 2012.

But the deal, backed by Governor Carcieri, has raised serious questions from, among others, a tech entrepreneur, a former member of the Carcieri administration and a veteran of small-business lending.

Their concerns center on the size of the loan, the risk to Rhode Island's taxpayers and the wisdom of guaranteeing a multimillion-dollar loan in a business where failure is more common than success. Adding to their concern is the fact that 38 Studios has yet to bring a product to the market.

The company plans to release two products, although it has not yet said when they will be available. The first is a single-player game, code-named Mercury, playable on game consoles and personal computers. 38 Studios has signed a deal with industry giant EA to distribute the game.

The larger product is an MMOG, or massive multiplayer online game, in which thousands of players can play online at the same time. Both games will be set in the same fantasy world.

Colin Sebastian, a research analyst for Lazard Capital Markets who specializes in Internet and video-game companies, said video-game development is a high-risk, high-reward business.

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When it comes to MMOGs, he said, only 10 percent of the games created in the last decade have been commercially successful. But if an MMOG is a hit, it can become a fountain of money. "World of Warcraft," the most successful MMOG, has 11.5 million subscribers paying \$14.99 a month.

The loan guarantee to 38 Studios would be made under a law signed June 10 that empowers the state to guarantee up to \$125 million in loans. The program was designed to assist "knowledge economy" and technology companies that have difficulty obtaining financing because they don't have conventional assets, such as factories or machinery, for collateral.

A \$75-million loan guarantee to 38 Studios represents 60 percent of the available \$125 million.

"A lot of red flags are going off," said Angus Davis, a high-tech entrepreneur whose latest project is Swipely.com, an Internet company headquartered in the Providence Jewelry District. "It's highly unusual for a pre-product-launch, pre-revenue, software company in a high-risk industry to get this kind of loan."

Under the terms of the proposal, the state would issue revenue bonds that would be purchased by a group of investors led by Wells Fargo Securities. The investors would lend the money to 38 Studios, which would be responsible for repaying the loan. If they couldn't pay, the state would guarantee the debt.

"It's a weird deal," Davis said. "In deals like this, the investor usually shoulders both the upside and the downside risk. In this case, there's no downside for them [Wells Fargo]."

Keith Stokes, executive director of the EDC, said the terms and conditions will not be public until they are first reviewed and approved by the EDC board, which he said is standard practice. The board meets Thursday at 10 a.m.

Gary Sasse, former director of administration under Carcieri, said he would need more information before passing judgment, but what he's seen so far raises a lot of questions.

"Why is 60 percent going to one project? What criteria do we use to justify that level of loan guarantee?" he said. "I understand that there are risks; you can't be totally risk-averse. But you need to wear both belt and suspenders."

Henry "Bud" Violet, president of the Ocean State Business Development Authority, a private corporation, called the proposal "a reckless guarantee" to a company without collateral or a track record.

Violet said testimony at the State House led him to believe the money would be distributed among many smaller businesses.

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"I supported the bill," he said. "If I had one scintilla of knowledge that this much money would go to one company, I would have fought it tooth and nail."

But the legislative language does not specify the size of the company that can obtain a loan guarantee.

Rep. Steven M. Costantino, chairman of the House Finance Committee and a sponsor of the bill, said he had been aware of 38 Studio's interest in coming to Rhode Island. He said he would not write a law to benefit a single company, and set the loan guarantee limit at \$125 million to allow a mix of large and small companies to take part.

For Costantino, a candidate for mayor of Providence, it's all about the jobs. "To get 400 jobs in the City of Providence right now, we need to do whatever we can," he said.

Stokes has said 38 Studios is looking at locations in Providence. The company has not confirmed that.

Schilling has previously gone to Massachusetts seeking financial incentives. The Boston Globe reported this week that Massachusetts officials want to keep 38 Studios in their state.

Through a spokesperson, 38 Studios said although it had met with Massachusetts officials in the past, "those conversations did not reach any positive outcome."

"As a result, 38 Studios' focus has been, and continues to be, working with Rhode Island to reach a mutually beneficial agreement."

Carcieri said he's comfortable with the loan guarantee. "With 38 Studios, we have an opportunity to build an infrastructure around which other things would start to grow ... sometimes little things don't get you there."

He said the state is taking a careful look at the level of risk associated with 38 Studios.

Stokes said the EDC has hired consultants familiar with the video- game industry, closely examined 38 Studio's books, and has access to research from Wells Fargo and Electronic Arts.

Stokes said the state has included financial penalties, payable to the EDC, if 38 Studios does not provide at least 400 jobs in Rhode Island by the end of 2012. The company said it employs 180 people at its Maynard, Mass., headquarters and another 80 in Maryland.

Stokes also said the state would be in the first position to claim any assets, including intellectual property and any revenues 38 Studios receives.

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KEY POINTS

The company: **38 Studios LLC**, a video-game production company founded by Curt **Schilling** in 2006, currently based in Maynard, Mass.

The deal: The state would guarantee a \$75-million loan to bring **38 Studios** to Rhode Island.

The prize: **38 Studios** has promised to bring at least 400 jobs to Rhode Island by the end of 2012.

The risk: Video-game analysts say it's an intensely competitive market. **38 Studios** does not yet have a product available.

Retired Red Sox pitcher Curt **Schilling** founded the video-game company **38 Studios LLC**, which is considering moving to Rhode Island. The Providence Journal / Steve Szydlowski asmith@projo.com / 277- 7485

---- INDEX REFERENCES ---

COMPANY: WELLS FARGO FINANCIAL WASHINGTON INC; WELLS FARGO AND CO; WELLS FARGO FINANCIAL WASHINGTON 1 INC; WELLS FARGO FINANCIAL TEXAS INC; WELLS FARGO FINANCIAL RETAIL SERVICES COMPANY CANADA; WELLS FARGO SERVICES CO; WELLS FARGO INSTITUTIONAL FUNDING LLC; WELLS FARGO INSURANCE SERVICES INC; WELLS FARGO FINANCIAL ACCEPTANCE PENNSYLVANIA INC; HENRY CO; EDUCATIONAL DEVELOPMENT CORP; WELLS FARGO FINANCIAL AGENCY CO; EDC; EXPORT DEVELOPMENT CANADA

NEWS SUBJECT: (Economics & Trade (1EC26); Corporate Events (1CR05); Corporate Funding (1XO17); Business Management (1BU42); Economic Development (1EC65))

INDUSTRY: (Electronics (1EL16); Retail Banking Services (1RE38); Consumer Electronics (1CO61); Banking (1BA20); I.T. (1IT96); PC, Video & Online Games (1PC44); Game Consoles (1GA01); Loans (1LO12); Financial Services (1FI37); Advanced Digital Technologies (1AD50); Consumer Video Products (1CO02); Consumer Products & Services (1CO62))

REGION: (North America (1NO39); USA (1US73); Americas (1AM92); U.S. New England Region (1NE37); Rhode Island (1RH18); Massachusetts (1MA15))

Language: EN

OTHER INDEXING: (BUSINESS DEVELOPMENT AUTHORITY; EDC; HENRY; HOUSE FINANCE COMMITTEE; LAZARD CAPITAL MARKETS; MMOG; MMOGS; RED SOX; RETIRED RED SOX; STATE HOUSE; STUDIOS; STUDIOS LLC; WELLS FARGO; WELLS FARGO SECURITIES) (Angus Davis; Carcieri; Colin Sebastian; Costantino; Curt Schilling; Davis; Gary Sasse; Keith Stokes; Schilling; Steven M. Costantino; Stokes; Violet)

COMPANY TERMS: STUDIOS LLC; WELLS FARGO SECURITIES

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PRODUCT: Securities Brokerage

NAICS CODE: 523120

EDITION: All

Word Count: 1139
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Providence Journal Bulletin (RI)
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June 15, 2010

Section: Local News

Agency goes for **Schilling** pitch ; economy

Andy Smith; Andy Smith, Journal Staff Writer

38 Studios, a video game firm, is expected to relocate to Rhode Island within the year

PROVIDENCE -- Retired Red Sox pitcher Curt **Schilling's** video game company, 38 Studios LLC, is a large step closer to moving to Rhode Island after the state Economic Development Corporation gave preliminary authorization Monday night to issue up to \$75 million in revenue bonds to help bring the company to Rhode Island.

The EDC still has some details to negotiate with 38 Studios. Executive Director Keith Stokes said a vote to finalize the bonds should come within the next two months.

Stokes said 38 Studios is looking at locations in Providence. He said he expects the company to be here within the year. "Today is a major milestone," Stokes said.

Executives from 38 Studios declined to comment on their plans.

The company currently has about 180 employees at offices in Maynard, Mass., and Maryland. According to the resolution approved by the EDC board, the company is expected to have 400 jobs in Rhode Island

In her presentation to the EDC board, company CEO Jennifer MacLean said that figure would be achieved by 2012.

"We've talked to a lot of different municipalities and, hands-down, Rhode Island was in the forefront in its commitment to making things happen," **Schilling** said in a brief appearance before the EDC board Monday night.

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Stokes said 38 Studios has been in talks with state officials since February.

Schilling, who described himself as a devoted gamer, started the company in 2006, taking the name from the number he wore as a pitcher.

The creative team includes artist Todd McFarlane, creator of the Spawn comics, animated TV series and toy line, and fantasy author R.A. Salvatore.

MacLean said the company is working on two related projects, one called Project Mercury, a role-playing game for personal computers, and the Xbox 360 and PlayStation 3 game consoles.

The other project, called Copernicus, is what's known as a MMOG (massive multi-player online game), such as World of Warcraft. The company is partnering with industry giant EA Games to distribute the new products. No release dates have been given.

The EDC's financing plan for 38 Studios is made under a law passed by the General Assembly that allows the EDC to guarantee loan repayments on bonds up to \$125 million.

Fred Hashway Jr., director of government affairs and policy for the EDC, said the statute allows the state to use its authority to guarantee financing to companies that will create jobs.

Under the plan for 38 Studios, the EDC will issue \$75 million in bonds that will be purchased by a group of investors led by Wells Fargo.

The money will then be lent to 38 Studios, which will be responsible for repaying the loan. If 38 Studios is unable to pay it back, the state would be responsible for any unpaid portion of the loan. asmith@projo.com / 277-7485

---- INDEX REFERENCES ----

COMPANY: WELLS FARGO FINANCIAL WASHINGTON INC; WELLS FARGO INSTITUTIONAL FUNDING LLC; WELLS FARGO AND CO; WELLS FARGO INSURANCE SERVICES INC; WELLS FARGO FINANCIAL WASHINGTON 1 INC; WELLS FARGO FINANCIAL TEXAS INC; WELLS FARGO FINANCIAL ACCEPTANCE PENNSYLVANIA INC; WELLS FARGO; EDUCATIONAL DEVELOPMENT CORP; EDC; WELLS FARGO FINANCIAL RETAIL SERVICES COMPANY CANADA; EXPORT DEVELOPMENT CANADA

NEWS SUBJECT: (Economics & Trade (1EC26); Economic Development Agencies (1EC15); Economic Development (1EC65))

INDUSTRY: (Consumer Electronics (1CO61); Electronics (1EL16); PC, Video & Online Games (1PC44); En-

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ertainment Multimedia Titles (1EN60); Entertainment (1EN08); Consumer Video Products (1CO02); Consumer Products & Services (1CO62))

REGION: (North America (1NO39); USA (1US73); Americas (1AM92); U.S. New England Region (1NE37); Rhode Island (1RH18))

Language: EN

OTHER INDEXING: (EDC; EDC BOARD; PROJECT MERCURY; RETIRED RED SOX; SPAWN; STUDIOS; STUDIOS LLC; TV; WELLS FARGO; XBOX) (Assembly; Curt Schilling; Executive Director; Fred Hashway Jr.; Jennifer MacLean; Keith Stokes; MacLean; R.A. Salvatore; Schilling; Stokes; Todd McFarlane)

COMPANY TERMS: STUDIOS LLC

EDITION: All

Word Count: 471

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Providence Journal Bulletin (RI)
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March 24, 2010

Section: Local News

Ex- Sox star **Schilling** now pitching another kind of business idea ; culture

Cynthia Needham; Cynthia Needham, Journal Staff Writer

Boston's former hurler is considering moving his video company to R.I. to take advantage of its creative arts community

Retired Red Sox pitching ace Curt **Schilling** is in talks with state officials about possibly moving his video game design start-up company to Rhode Island.

In an interview with The Journal, **Schilling** described the conversations as "preliminary discussions" and said the Ocean State is one of several his company, 38 Studios LLC, is speaking with about a potential move from its founding location in Maynard, Mass.

"Rhode Island was right next door and it just seemed like a natural fit to have a conversation," **Schilling** said in a telephone interview late Monday night.

The state's creative arts community is also a draw.

"The RISD connection is a huge one. We have multiple RISD [graduates] as employees now," **Schilling** said.

38 Studios -- the name comes from **Schilling's** Red Sox number -- is an 80-person company developing an on-line multiplayer video game it hopes can compete with World of Warcraft, the popular Internet fantasy game with millions of subscription-paying players worldwide. **Schilling's** project has not yet launched.

The Rhode Island connection grew out of a chance meeting between **Schilling** and Governor Carcieri at a March fundraiser at the pitcher's Medfield, Mass., home. The two fell into conversation about 38 Studios.

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"My sense was that he wasn't particularly thrilled with the reception he was getting in Massachusetts, so I said: 'Come on down, we'd be happy to talk to you,'" Carcieri recalled.

Schilling took him up on the offer and came to Rhode Island several times in the past few days, meeting with House Speaker Gordon D. Fox, Economic Development Corporation Director Keith Stokes and several other state officials.

"I think he was just feeling as though maybe we were going to pay more attention to him," said Carcieri.

State officials declined to elaborate on exactly what kind of tax credits or other legislative incentives they might offer to lure **Schilling's** company here. In the past, Rhode Island has offered incentives to a variety of businesses to encourage economic development, including job creation.

The former pitcher said the 38 Studios board has investigated potential out-of-state moves in the hopes of finding a place where "the long-term health and viability of the company" is best served. **Schilling** said he hopes to expand his staff to 400 or even 500. (With the acquisition of Baltimore, Md.'s Big Huge Games, the company added more than 50 jobs in that state, for a total staff of about 140.)

Schilling's video game is being developed under the name "Copernicus." Comic book creator Todd MacFarlane and fantasy author R.A. Salvatore are working with 38 Studios on the project, which reports have suggested could launch in late 2010. **Schilling** would not confirm that date.

"Rhode Island was right next door and it just seemed like a natural fit to have a conversation." Curt **Schilling**

Curt **Schilling** shows his support for Scott Brown in his U.S. Senate campaign in Massachusetts earlier this year.
AP / Robert F. Bukaty cneedham@projo.com / 277-7045

---- INDEX REFERENCES ----

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